

THE BOARD OF DIRECTORS PROPOSAL ON THE GUIDELINES FOR REMUNERATION AND OTHER EMPLOYMENT TERMS FOR THE CORPORATE MANAGEMENT OF HÖGANÄS AB

The Board of Directors of Höganäs AB proposes that the Annual General Meeting (AGM) on 26 April 2010 approves the following guidelines for remuneration and other employment terms for the corporate management.

General

Höganäs shall apply remuneration levels and employment terms necessary to recruit and retain a management with high competence and with the capacity to achieve pre-determined objectives. The structure of the remuneration shall motivate the corporate management to do its utmost to safeguard shareholder interests.

Accordingly, the structure of remuneration shall be on market terms, simple, on a long-term basis and measurable. The corporate management's remuneration shall have a fixed part and performance-related part. The performance-related part shall reward clearly defined goal-related performances and improvements and the structure of the performance-related remuneration shall be simple and transparent. Performance-related remuneration shall be capped.

Fixed and performance-related remuneration

The fixed salary for the corporate management shall be on market terms and based on competence, responsibility and performance. The performance-related remuneration for the corporate management shall not exceed the fixed salary, and shall, normally, not exceed 50 per cent of the fixed annual salary. It shall be related to the satisfaction of pre-determined goals, mainly related to earnings, volume growth, return on capital employed, cash-flow, net-debt and other similar targets which may be objectively determined.

Incentive plan

The Board of Directors shall consider if to present a proposal to the general meeting regarding a share-price related incentive plan for the corporate management and possibly other key employees.

The Board of Directors is authorised to resolve on incentive plans regarding long term performance related remuneration which may include the corporate management. The outcome of such plan shall relate to the satisfaction of pre-determined targets which apply for other performance related remuneration. Remuneration under such plan may, in addition to other performance related remuneration, annually amount to a maximum of 50 per cent of the fixed annual salary.

Non-monetary benefits, pensions and severance pay

The corporate management's non-monetary benefits shall facilitate the work of the management, and correspond to what can be considered reasonable in relation to the local market practice where the respective management team member is active.

The corporate management's pensions shall correspond to the terms on the local market where the respective management team member is active, and should be based on defined-contribution pension schemes or national pension schemes such as Sweden's ITP scheme (Supplementary Pensions for Salaried Employees).

Dismissal and severance pay for a member of the corporate management should not, in total, exceed 24 months' salary. Normally, a six-month notice period shall apply.

Corporate management

For the purpose of these principles, the corporate management means the Chief Executive Officer, Chief Financial Officer and other senior executives that report directly to the Chief Executive Officer.

How matters concerning remuneration to the corporate management are prepared and resolved upon

The Board of Directors' Remuneration Committee considers and prepares matters relating to remuneration to the corporate management and general remuneration packages within the group for resolutions by the Board of Directors. The Remuneration Committee considers and drafts proposals for resolutions regarding employment terms for the Chief Executive Officer, and the Board evaluates the Chief Executive Officer's performance annually. The Chief Executive Officer consults with the Remuneration Committee regarding employment terms of other members of the corporate management.

The Board of Directors shall have the right to deviate from the aforementioned guidelines for remunerating the corporate management if motivated by special circumstances in individual cases.

Höganäs in March 2010
HÖGANÄS AB (publ)
The Board of Directors