

## **The Board of Directors' proposal for long-term incentive program**

### *Summary of the program*

The Board of Directors proposes that the Annual General Meeting resolves to implement a new long-term incentive program for senior executives and key employees within the ASSA ABLOY Group (LTI 2018). LTI 2018 is based on similar principles as LTI 2010-LTI 2017, but with an extended measurement period of three years for the performance condition and the removal of matching shares.

LTI 2018 is proposed to include approximately 115 senior executives and key employees within the ASSA ABLOY Group, which entails an increase of 25 participants compared to previous years. The Board of Directors considers the broadening of the participant base to be motivated since the ASSA ABLOY Group has grown and the number of employees increased since 2010. In order to participate in LTI 2018 the participants will have to invest in Series B shares in ASSA ABLOY at market price. For every Series B share purchased within the scope of LTI 2018, the company will grant so called performance awards free of charge in accordance with the terms stipulated below.

### *The rationale for the proposal*

The purpose of LTI 2018 is to strengthen the Group's ability to retain and recruit competent employees, provide competitive remuneration, and to align the interests of the shareholders with the interests of the employees concerned. Through a share based incentive program, the employees' remuneration is tied to the company's future earnings and value growth. In light of the above, the Board of Directors believes that the implementation of LTI 2018 will have a positive effect on the long term value growth of the Group and consequently that LTI 2018 is beneficial to both the shareholders and the company.

### *Personal investment*

In order to participate in LTI 2018, the participants will have to invest in Series B shares in ASSA ABLOY at market price. The personal investment shall amount to an amount corresponding to minimum 5 per cent (all participants) and maximum 15 per cent (CEO and other senior executives) or 10 per cent (other participants), respectively, of the participant's base salary. If the participant has access to inside information and is therefore prevented from making the personal investment in connection with the application to participate in LTI 2018, the personal investment shall be made as soon as possible, but no later than the next Annual General Meeting.

For employees who have not participated in previous LTI programs, the participation in LTI 2018 is in addition subject to renunciation of customary salary review for the year 2018.

### *Participants in LTI 2018 and allocation*

LTI 2018 is proposed to include approximately 115 senior executives and key employees within the ASSA ABLOY Group, divided in three categories.

For each Series B share the CEO of the Group purchases under LTI 2018, the company will grant six performance awards. For each Series B share that other senior executives (currently eight individuals) purchase under LTI 2018, each such individual will be awarded five performance awards. For each Series B share that other participants (approximately 106 individuals) purchase under LTI 2018, each such individual will be awarded four performance awards.

*Performance condition*

The number of performance awards that gives right to receive Series B shares in the company depends on the annual development of ASSA ABLOY's earnings per share<sup>1</sup> based on the target levels, as defined by the Board of Directors, during the measurement period 1 January 2018 – 31 December 2020, where each year during the measurement period is compared to the previous year. The outcome is calculated yearly, whereby one third of the performance awards is measured against the outcome for 2018, one third is measured against the outcome for 2019 and one third is measured against the outcome for 2020.

The outcome for each year is measured linearly. Unless the minimum level is achieved for the year, none of the relevant performance awards will give right to Series B shares, and if the maximum level is achieved each performance award linked to the relevant year will give right to one Series B share. The Board of Directors intends to present the fulfilment of the performance based condition in the Annual Report for the financial year 2020.

*Other conditions*

In addition to the above conditions, the following shall apply for the performance awards.

- The performance awards shall be granted free of charge after the 2018 Annual General Meeting.
- Each performance award entitles the holder to receive one Series B share free of charge three years after allotment of the award (vesting period), provided that the holder, with some exceptions, at the time of the release of the interim report for the first quarter 2021 still is employed by the ASSA ABLOY Group and has maintained the personal investment purchased under LTI 2018.
- To make the participants' interest equal with the shareholders' the company will compensate the participants for distributed dividend during the vesting period by increasing the number of Series B shares that each performance award gives right to after the vesting period.
- The performance awards are non-transferable and may not be pledged.
- The performance awards can be granted by the company or any other company within the Group.

The Swedish participants may be given the possibility to use the outcomes from LTI 2018 for pension savings according to a pension obligation. The obligation will be secured by depositing a gross amount in an endowment insurance owned by ASSA ABLOY. The pension amount must be invested in Series B shares in ASSA ABLOY during the time the participant is employed by the Group.

*Preparation and administration*

The Board of Directors shall be responsible for preparing the detailed terms and conditions of LTI 2018, in accordance with the mentioned terms and guidelines. To this end, the Board of Directors shall be entitled to make adjustments to meet foreign regulations or market conditions. The Board of Directors may also make other adjustments if significant changes in the ASSA ABLOY Group, or its operating environment, would result in a situation where the decided terms and conditions for LTI 2018 no longer are appropriate.

In the event that the Board of Directors considers that the delivery of shares under LTI 2018 cannot be achieved at reasonable cost, with reasonable administrative efforts or due to specific market conditions, participants may instead be offered a cash settlement.

*Scope and cost of the program*

LTI 2018 may, if the share price for the company's Series B share remains the same during the program's term, result in a maximum amount corresponding to 90 per cent (CEO), 75

---

<sup>1</sup> Earnings per share is defined as the company's earnings per share after tax and dilution, excluding items affecting comparability and currency effects.

per cent (other senior executives) or 40 per cent (other participants), respectively, of the participants annual base salary (excluding social security costs). Such outcome is subject to a maximum personal investment, meaning that the participant must purchase Series B shares in the company in an amount corresponding to 15 per cent (CEO and other senior executives) or 10 per cent (other participants), respectively, of the participants annual base salary, maintain the initially purchased shares and that the participant, with some exceptions, still is employed during the vesting period, and that the performance based condition has been fully achieved.

The total amount of shares, which corresponds to the participant's total maximum personal investment, and thus the total amount of performance awards being allotted, depends on the share price for the company's Series B share at the time of allotment of performance awards under LTI 2018. The total number of outstanding shares in the company amount to 1,112,576,334 shares.

Provided that the share price for the company's Series B share is traded at around SEK 185 at the time of allotment of performance awards under LTI 2018, LTI 2018 will, in accordance with the principles and assumptions set out above, comprise maximum 710,000 Series B shares in total, which corresponds to approximately 0.1 per cent of the total outstanding shares and votes in the company.

LTI 2018 should be expensed as personnel costs over the vesting period. Provided that the performance based condition is fully achieved, the cost for LTI 2018 before tax is, in accordance with the principles and assumptions set out above, estimated to approximately SEK 122 million, allocated over the vesting period. Estimated social security costs and financing cost are included in such amount.

The costs are expected to have marginal effect on key ratios of the ASSA ABLOY Group.

The Board of Directors deems that the positive effects on earnings that are expected to result from increased share ownership among senior management and persons in senior managerial positions, which may be further increased through LTI 2018, outweighs the costs related to LTI 2018.

Information on LTI 2015, LTI 2016 and LTI 2017 can be found in the Annual Report 2017, Note 33.

#### *Delivery of shares under LTI 2018*

To ensure the delivery of Series B shares under LTI 2018, the company intends to enter into an agreement with a third party, under which the third party shall, in its own name, buy and transfer Series B shares in the company to the participants in accordance with LTI 2018.

#### *Preparation of the proposal*

LTI 2018 has been initiated by the Board of Directors of ASSA ABLOY, and has been structured in consultation with external advisers based on an evaluation of previous incentive programs. The suggested adjustments to LTI 2018, compared to LTI 2010-LTI 2017, have taken into account the evaluation carried out and feedback from institutional investors. LTI 2018 has been prepared by the Remuneration Committee and reviewed at meetings of the Board of Directors.

---

Stockholm in March 2018  
The Board of Directors  
ASSA ABLOY AB (publ)