

## **ASSA ABLOY remuneration report 2021**

### **Introduction**

This remuneration report describes how ASSA ABLOY AB's guidelines for remuneration to senior executives, adopted by the 2020 Annual General Meeting, were implemented in 2021. The report also provides information on remuneration to the company's President and CEO ("CEO") and a summary of the company's outstanding share and share-price related incentive programs. The report has been prepared in accordance with Chapter 8, Sections 53 a and 53 b of the Swedish Companies Act (2005:551) and the Remuneration Rules issued by the Swedish Corporate Governance Board.

Information required by Chapter 5, Sections 40-44 of the Annual Accounts Act (1995:1554) is available in note 34 (*Employees*) on pages 91-93 in the company's annual report for 2021 (the "**Annual Report 2021**").

Information on the work of the Remuneration Committee in 2021 is set out in the corporate governance report available on pages 49-59 in the Annual Report 2021.

Remuneration of the Board of Directors is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and disclosed in note 34 (*Employees*) on page 91 in the Annual Report 2021.

ASSA ABLOY AB's remuneration report 2020 was approved at the 2021 Annual General Meeting and no views were expressed by the shareholders which need to be addressed in the remuneration report 2021.

### **Key developments 2021**

The CEO summarizes the company's overall performance in his statement on pages 4-5 in the Annual Report 2021.

### **ASSA ABLOY's remuneration guidelines: scope, purpose and deviations**

With the objective that ASSA ABLOY shall continue to be able to recruit and retain competent employees, the basic principle being that remuneration and other employment conditions shall be offered on market conditions and be competitive. The remuneration guidelines enable ASSA ABLOY to offer senior executives a total remuneration that is on market conditions and competitive. Prerequisites are thereby established for successful implementation of the Group's business strategy as well as safeguarding ASSA ABLOY's long-term interests, including its sustainability. Under the remuneration guidelines, the total yearly remuneration to the senior executives shall be on market conditions and be competitive and also reflect each senior executive's responsibility and performance. The total yearly remuneration shall consist of fixed base salary, variable cash remuneration, pension benefits and other benefits. The variable cash remuneration shall be linked to predetermined and measurable financial targets and can also be linked to strategical and/or functional targets individually adjusted on the basis of responsibility and function. These targets shall be designed so as to contribute to ASSA ABLOY's business strategy and long-term interests, including its sustainability, by for example being linked to the business strategy or promote the senior executive's long-term development within ASSA ABLOY.

The remuneration guidelines are found in note 34 (*Employees*) on pages 91-93 in the Annual Report 2021. During 2021, the company has complied with the applicable remuneration guidelines adopted by the General Meeting. No deviations from the remuneration guidelines have been decided and no derogations from the procedure for implementation of the remuneration guidelines have been made. The auditor's report

regarding whether the company has complied with the remuneration guidelines is available on the company's website [www.assaabloy.com](http://www.assaabloy.com). No remuneration has been reclaimed.

In addition to remuneration covered by the remuneration guidelines, the Annual General Meetings of ASSA ABLOY AB have resolved to implement share-based long-term incentive programs (LTIs) and on remuneration to the Board of Directors.

**Table 1 – Total remuneration of the CEO in 2021 (SEK thousands)**

Name of Director (position)	Financial year	1 Fixed remuneration		2 Variable remuneration		3	4	5	6
		Base salary	Other benefits	One-year variable <sup>1</sup>	Multi-year variable <sup>2</sup>	Extraordinary items <sup>3</sup>	Pension expense	Total remuneration	Proportion of fixed and variable remuneration
Nico Delvaux (CEO)	2021	19,338	152	14,250	7,301	2,000	6,747	49,788	53%/47%

## Share based remuneration

### ***Outstanding and vested share and share-price related incentive programs in 2021***

ASSA ABLOY has three outstanding share-based long-term incentive programs (LTI 2019, LTI 2020 and LTI 2021) for senior executives and other key employees in the Group that have been resolved at Annual General Meetings (2019-2021). In April 2021, vesting of the 2018 share-based long-term incentive program (LTI 2018) took place.

For each Series B share acquired by the CEO within the framework of LTI 2018, LTI 2019, LTI 2020 and LTI 2021, the company has awarded six performance-based share awards. For each Series B share acquired by other members of the Executive Team, the company has awarded five performance-based share awards. For other participants, the company has awarded four performance-based share awards. Each performance-based share award entitles the holder to receive one Series B share in the company free of charge three years after the award date, provided that the holder, with certain exceptions, at the time of the release of the interim report for the first quarter 2021 (LTI 2018), first quarter 2022 (LTI 2019), first quarter 2023 (LTI 2020) and first quarter 2024 (LTI 2021) is still employed by the Group and has maintained the shares acquired within the framework of the respective long-term incentive program. In addition to these vesting conditions, the number of performance-based share awards that entitle the holder to Series B shares in the company depends on the annual development of ASSA ABLOY's earnings per share based on the target levels, as defined by the Board of Directors, during the applicable measurement period: 1 January 2018 – 31 December 2020 (LTI 2018), 1 January 2019 – 31 December 2021 (LTI 2019), 1 January 2020 – 31 December 2022 (LTI 2020) and 1 January 2021 – 31 December 2023 (LTI 2021), where each year during the applicable measurement period is compared to the previous year. The outcomes are calculated yearly, whereby one third of the performance-based share awards is measured against the outcome for the first year in the measurement period, one third is measured against the outcome for the second year

<sup>1</sup> Variable remuneration earned 2021 and paid in 2022.

<sup>2</sup> Multi-year variable remuneration is defined as the company's personnel cost, excluding social charges, related to the CEO for all the existing long-term share incentive programs (LTIs) for the current year (i.e. IFRS2 cost).

<sup>3</sup> Cash compensation for share incentive programs from a previous employer.

in the measurement period and one third is measured against the outcome for the third year in the measurement period. The outcome for each year is measured linearly. Unless the minimum target level in the interval is achieved for the year, all of the relevant performance-based share awards will lapse. If the maximum target level in the interval is achieved, each performance-based share award linked to the relevant year entitles the holder to one Series B share at the end of the three-year vesting period provided the other vesting conditions are met.

In accordance with the terms of LTI 2018, LTI 2019, LTI 2020, and LTI 2021, employees have acquired a total of 473,016 Series B shares in ASSA ABLOY AB. The CEO, Nico Delvaux, has acquired 12,648 Series B shares in LTI 2018, 13,050 Series B shares in LTI 2019, 14,825 Series B shares in LTI 2020 and 11,077 Series B shares in LTI 2021.

The performance-based condition was fulfilled to 60 percent for LTI 2018. Fulfilment of the performance-based condition for LTI 2019, LTI 2020, and LTI 2021, respectively, is intended to be presented in the annual report for the financial years 2021, 2022 and 2023, respectively.

The total number of outstanding performance-based share awards for LTI 2019, LTI 2020 and LTI 2021 amounted to 1,277,820 on the reporting date of 31 December 2021.

Fair value is based on the share price on the respective award date. The present value calculation is based on data from an external party. Fair value is also adjusted for performance-based share awards not expected to be realized at the end of the vesting period of the respective program. The company further assesses the probability of the performance targets being met when calculating the compensation expense. The fair value of ASSA ABLOY's Series B share on the award date for LTI 2021, 9 June 2021, was SEK 259.86. The fair value of ASSA ABLOY's Series B share on the award date for LTI 2020, 28 May 2020, was SEK 196.25. The fair value of ASSA ABLOY's Series B share on the award date for LTI 2019, 24 May 2019, was SEK 194.23. The fair value of ASSA ABLOY's Series B share on the award date for LTI 2018, 25 May 2018, was SEK 191.63.

The total cost of LTI 2018-LTI 2021 excluding social security costs amounted to SEK 49 million in 2021.

In April 2021, vesting of LTI 2018 took place equivalent of 221,196 Series B shares at a total market value at the time of vesting of SEK 54 million. Please see Tables 2 and 3 b for details regarding the CEO, Nico Delvaux.

**Table 2 – Share award plans (LTI)**

Name of Director (position)	The main conditions of share award plans					Information regarding the reported financial year 2021					
						Opening balance	During the year		Closing balance		
	1	2	3	4	5	6	7	8	9	10	11
Name of plan	Performance period <sup>4</sup>	Award date performance awards	Vesting Date	End of retention period	Performance awards held at the beginning of the year	Number of performance awards awarded	Number of shares vested	Performance awards subject performance condition in order to be awarded <sup>5</sup>	Performance awards awarded and unvested at year end <sup>6</sup>	Performance awards subject to a retention period <sup>7</sup>	
Nico Delvaux (CEO)	LTI 2018	2018-2020	25 May 2018	As soon as possible after the release of the interim report for Q1 2021	Vesting Date	75,888	-	46,734 <sup>8</sup>	-	-	-
	LTI 2019	2019-2021	24 May 2019	As soon as possible after the release of the interim report for Q1 2022	Vesting Date	78,300	-	-	-	78,300	-
	LTI 2020	2020-2022	28 May 2020	As soon as possible after the release of the interim report for Q1 2023	Vesting Date	88,950	-	-	-	88,950	-
	LTI 2021	2021-2023	9 June 2021	As soon as possible after the release of the interim report for Q1 2024	Vesting Date	-	66,462	-	-	66,462	-
<b>Total</b>						<b>243,138</b>	<b>66,462</b>	<b>46,734</b>	<b>-</b>	<b>233,712</b>	<b>-</b>

<sup>4</sup> Measurement period.

<sup>5</sup> All performance awards are granted at the launch of the relevant program.

<sup>6</sup> All performance awards remain unvested until the relevant Vesting Date. To make the participants' interest equal with the shareholders' the company will compensate the participants for distributed dividend during the vesting period ((i.e. until the relevant Vesting Date) by increasing the number of Series B shares that each performance award gives right to after the vesting period for the relevant program. Hence, the final number of Series B shares received at vesting will be adjusted at the time of vesting.

<sup>7</sup> Neither the performance awards nor the Series B shares received upon vesting are subject to post-vesting retention.

<sup>8</sup> Compensation included for distributed dividend during the vesting period.

## Application of performance criteria

The performance measures for the CEO's variable remuneration have been selected to deliver ASSA ABLOY's business strategy and to encourage behavior which is in ASSA ABLOY's long-term interest, including its sustainability. In the selection of performance measures, the strategic objectives and short-term and long-term business priorities for 2021 have been taken into account. Please refer to page 101 *Definitions of key ratios* in the Annual Report 2021 for a general description of financial performance measurements.

**Table 3 a – Performance of the CEO in the reported financial year 2021 - short-term variable compensation (STI)**

Name of Director (position)	1 Description of the criteria related to the remuneration component	2 Relative weighting of the performance criteria	3	
			a) Measured performance and	b) actual award/ remuneration outcome, SEK thousands
Nico Delvaux (CEO)	Improvement earnings per share (EPS) <sup>9</sup>	90%	a) EPS year on year improvement	
				b) 12,825
	Operating cash flow/income before tax <sup>10</sup>	10%	a) Operating cash flow/income before tax <sup>11</sup>	
				b) 1,425

**Table 3 b – Performance of the CEO in the reported financial year 2021 - long-term variable compensation (LTI)**

Name of Director (position)	Name of the plan	1 Description of the criteria related to the remuneration component	2 Relative weighting of the performance criteria	3	
				a) Measured performance and	b) actual award/ remuneration outcome, SEK thousands <sup>12</sup>
Nico Delvaux (CEO)	LTI 2018	Improvement earnings per share (EPS) <sup>13</sup> over three years	100%	a) EPS year on year improvement	
					b) 11,347 <sup>14</sup>
	LTI 2019	Improvement earnings per share (EPS) <sup>15</sup> over three years	100%	a) EPS year on year improvement	
					b) -
	LTI 2020	Improvement earnings per share (EPS) <sup>16</sup> over three years	100%	a) EPS year on year improvement	
					b) -
	LTI 2021	Improvement earnings per share (EPS) <sup>17</sup> over three years	100%	a) EPS year on year improvement	
					b) -

<sup>9</sup> Earnings per share is defined as the company's earnings per share after tax and dilution, excluding items affecting comparability and currency effects.

<sup>10</sup> Operating cash flow in relation to income before tax excluding items affecting comparability.

<sup>11</sup> See footnote 10.

<sup>12</sup> The performance awards remain unvested till the end of the relevant vesting period (i.e. until the relevant Vesting Date set out in Table 2). In 2021 no performance awards for LTI 2019, LTI 2020 and LTI 2021 have vested. The cost of LTI 2018-LTI 2021, set out in Table 1, is allocated over the three year vesting period, calculated in accordance with IFRS2.

<sup>13</sup> Earnings per share is defined as the company's earnings per share after tax and dilution, excluding items affecting comparability and currency effects.

<sup>14</sup> The value corresponds to the number of Series B shares for LTI 2018 received on the Vesting Date multiplied with the average share price on the Vesting Date.

<sup>15</sup> Earnings per share is defined as the company's earnings per share after tax and dilution, excluding items affecting comparability and currency effects.

<sup>16</sup> Earnings per share is defined as the company's earnings per share after tax and dilution, excluding items affecting comparability and currency effects.

<sup>17</sup> Earnings per share is defined as the company's earnings per share after tax and dilution, excluding items affecting comparability and currency effects.

## Comparative information on the change of remuneration and company performance

**Table 4 – Change of remuneration and company performance over the last two reported financial years**

Annual change	2021 vs 2020	2021
CEO remuneration	43.1%	SEK 49.8 M
Group operating income <sup>18</sup>	13.8%	SEK 14,181 M
Average remuneration on a full-time equivalent basis of employees of the company (ASSA ABLOY AB) <sup>19</sup>	13.4% <sup>20</sup>	SEK 990 k <sup>21</sup>

### Additional information

#### **Call options issued by shareholders to the CEO**

Pursuant to an agreement dated 7 February 2018 between the CEO, Nico Delvaux, and Latour Förvaltning AB ("**Latour**") and Melker Schörling AB ("**MSAB**"), Latour and MSAB have issued in total 94,787 call options to Nico Delvaux with the right to acquire the same number of Series B shares in ASSA ABLOY AB from Latour and MSAB. The purchase price was SEK 21.10 per call option and the transaction date was 7 February 2018. The call options were sold at market price, ensured through an external independent valuation.

#### **CEO's total holdings of shares and call options in ASSA ABLOY AB**

The CEO, Nico Delvaux, holds in total 122,534 Series B shares and 94,787 call options as at 31 December 2021.

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<sup>18</sup> Group operating income is defined as income before financial net, and taxes on income, including items affecting comparability.

<sup>19</sup> Excluding members of the Executive Team employed in ASSA ABLOY AB and the CTO.

<sup>20</sup> Average remuneration 2020 calculated on 245 employees.

<sup>21</sup> Average remuneration 2021 calculated on 202 employees.