

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

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The Board of Directors proposes that the Annual General Meeting resolves to implement a new long term incentive programme for senior executives and key employees within the ASSA ABLOY Group ("LTI 2013"). LTI 2013 is proposed to include approximately 90 senior executives and key employees within the ASSA ABLOY Group. LTI 2013 entails that the participants will invest in Series B shares in ASSA ABLOY at market price. Such personal investment will thereafter be matched free of charge by the company through granting of so called matching awards and performance awards, in accordance with the terms stipulated below.

### **The rationale for the proposal**

The purpose of LTI 2013 is to retain and recruit competent employees to the Group, provide competitive remuneration and to align the interests of the senior executives and key employees with the interests of the shareholders. In light of the above, the Board of Directors believes that implementation of LTI 2013 will have a positive effect on the development of the Group and consequently that LTI 2013 is beneficial to both the shareholders and the company.

### **Preparation of the proposal**

LTI 2013 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 prior incentive programmes. LTI 2013 has been prepared by the Remuneration Committee and reviewed at meetings of the Board of Directors.

### **The personal investment**

In order to participate in LTI 2013, the employees must purchase Series B shares in ASSA ABLOY at market price, in 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 participants basic salary. The participation in LTI 2013 of employees who have not participated in previous LTI programs is subject to renunciation of customary salary review for the year 2013.

### **Allocation**

For each Series B share the CEO purchases under LTI 2013, he will be granted one matching award and four performance awards. For each Series B share other senior executives (currently eight individuals) purchase under LTI 2013, each such individual will be awarded one matching award and three performance awards. For each Series B share other participants (approximately 80 individuals) purchase under LTI 2013, each such individual will be awarded one matching award and one performance award.

### **Conditions for all awards**

The following conditions shall apply for all awards:

- The awards shall be granted free of charge.
- Each award entitles the holder to receive a Series B share in the company, free of charge, three years after allotment of the award (the vesting period), provided that the holder, with some exceptions, at the time of release of ASSA ABLOY's interim report for the first quarter 2016, still is employed by the ASSA ABLOY Group and has maintained the shares purchased under LTI 2013.
- Each award also includes a right to be compensated for the value of dividend paid to the shareholders during the vesting period, by being granted additional Series B shares under LTI 2013.
- The awards are non-transferable and may not be pledged.
- The awards can be granted by the company and any other company within the Group.

### **Conditions for the performance awards**

The number of performance awards that entitle to receive Series B shares in the company depends on the fulfilment of determined target levels, as defined by the Board of Directors, in respect of increase of the company's earnings per share<sup>1</sup> during the financial year 2013 compared to the financial year 2012. The outcome will be measured lineally, meaning that none of the performance awards will entitle to Series B shares unless the minimum level is achieved, and that all performance awards will entitle to one Series B share each if the maximum level is achieved.

### **Preparation and administration**

The Board of Directors shall be responsible for preparing the detailed terms and conditions of LTI 2013, 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 2013 no longer are appropriate.

### **Scope and costs of the programme**

LTI 2013 may, if the share price for the company's Series B share remains the same during the programme's term, result in a maximum amount corresponding to 75 per cent (CEO), 60 per cent (other senior executives) or 20 per cent (other participants), respectively, of the participants annual basic 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 basic 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 awards in LTI 2013, depends on the share price for the company's Series B share at the time of allotment of awards under LTI 2013. Provided that the share price for the company's Series B share is traded at around SEK 260 at the time of allotment of awards under LTI 2013, LTI 2013 will, in accordance with the above principles and assumptions, comprise maximum 245,000 Series B shares in total, which corresponds to approximately 0.1 per cent of the total outstanding shares and votes in the company.

LTI 2013 will be accounted for in accordance with "IFRS 2 – Share-based payments". IFRS 2 stipulates that share awards should be expensed as personnel costs over the vesting period and will be reported directly against equity. Provided that the performance based condition is fully achieved, the accounting cost for LTI 2013 before tax is, in accordance with the above principles and assumptions, estimated to approximately SEK 59 million, allocated over the vesting period. Estimated social security costs are included in such amount.

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

Information on LTI 2010, LTI 2011 and LTI 2012 can be found in the Annual Report 2012, Note 33.

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<sup>1</sup> Earnings per share is defined as earnings per share excluding items affecting comparability and after tax and dilution.

**Delivery of shares under LTI 2013**

To ensure the delivery of Series B shares under LTI 2013, 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 2013.

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Stockholm in March 2013  
The Board of Directors  
ASSA ABLOY AB (publ)

