

Corporate governance

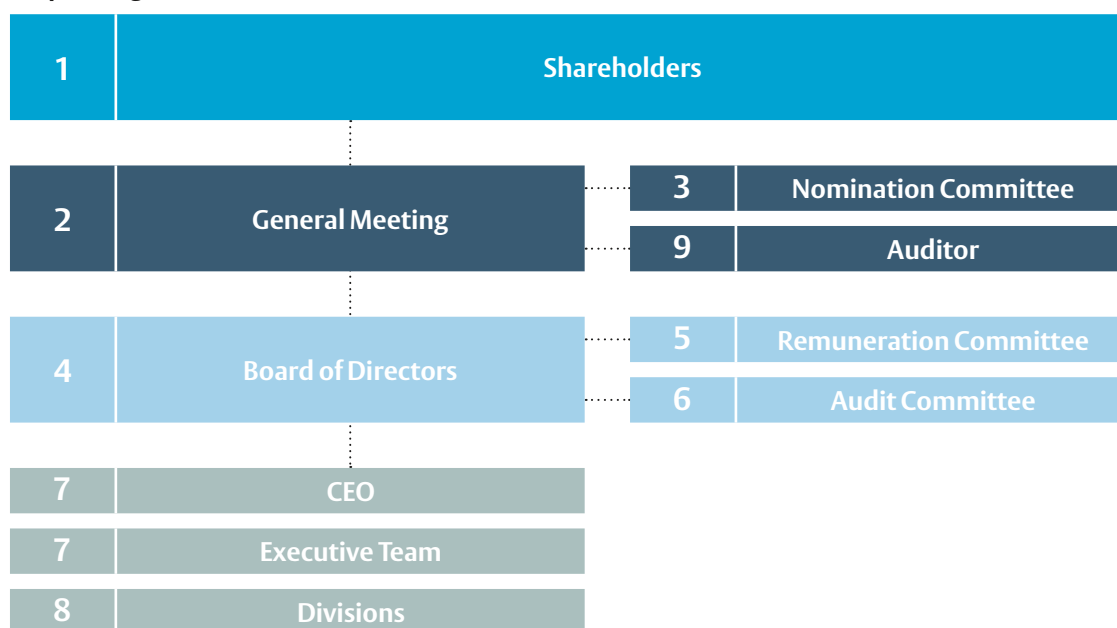
ASSA ABLOY is a Swedish public limited liability company with registered office in Stockholm, Sweden, whose Series B share is listed on the Nasdaq Stockholm.

The Group's corporate governance is based on the Swedish Companies Act, the Annual Accounts Act, the Nasdaq Stockholm's Rule Book for Issuers and the Swedish Corporate Governance Code, as well as other applicable external laws, rules and regulations, and internal rules and regulations.

This Corporate Governance Report has been prepared as part of ASSA ABLOY's application of the Swedish Corporate Governance Code. The report is examined by ASSA ABLOY's auditor.

ASSA ABLOY's objective is that its activities should generate good long-term returns for its shareholders and other stakeholders. An effective scheme of corporate governance for ASSA ABLOY can be summarized in a number of interacting components, which are described below.

Corporate governance structure



Important external rules and regulations

- Swedish Companies Act
- Annual Accounts Act
- Nasdaq Stockholm's Rule Book for Issuers
- Swedish Corporate Governance Code (www.bolagsstyrning.se)

Important internal rules and regulations

- Articles of Association
- Board of Directors' rules of procedure
- Financial Policy
- Accounting Manual
- Communication Policy
- Insider Policy
- Internal control procedures
- Code of Conduct and Anti-Bribery Policy

1 Shareholders

At year-end 2018, ASSA ABLOY had 31,143 shareholders (33,811). The principal shareholders are Investment AB Latour (9.5 percent of the share capital and 29.5 percent of the votes) and Melker Schörling AB (3.4 percent of the share capital and 11.1 percent of the votes). Foreign shareholders accounted for 70.5 percent (66.6) of the share capital and 48.1 percent (45.4) of the votes. The ten largest shareholders accounted for 36.9 percent (40.3) of the share capital and 56.9 percent (59.3) of the votes. For further information on shareholders, see page 109.

ASSA ABLOY's Articles of Association contains a pre-emption clause for owners of Series A shares regarding Series A shares. A shareholders' agreement exists between Gustaf Douglas, Melker Schörling and related companies and includes an agreement on right of first refusal if any party disposes of Series A shares. The Board of Directors of ASSA ABLOY is not aware of any other shareholders' agreements or other agreements between shareholders in ASSA ABLOY.

Share capital and voting rights

ASSA ABLOY's share capital at the end of 2018 amounted to SEK 370,858,778 distributed among a total of 1,112,576,334 shares, comprising 57,525,969 Series A shares and 1,055,050,365 Series B shares. The total number of votes amounted to 1,630,310,055. Each Series A share carries ten votes and each Series B share one vote. All shares have a par value of around SEK 0.33 and give shareholders equal rights to the company's assets and earnings.

Repurchase of own shares

Since 2010, the Board of Directors has requested and received a mandate from the Annual General Meeting to repurchase and transfer ASSA ABLOY Series B shares. The aim has been, among other things, to secure the company's undertakings in connection with its long-term incentive programs (LTI). The 2018 Annual General Meeting authorized the Board of Directors to acquire, during the period until the next Annual General Meeting, a maximum number of Series B shares so

that after each repurchase ASSA ABLOY holds a maximum 10 percent of the total number of shares in the company.

ASSA ABLOY holds a total of 1,800,000 (1,800,000) Series B shares after repurchase. These shares account for around 0.2 percent (0.2) of the share capital and each share has a par value of around SEK 0.33. The purchase consideration amounted to SEK 103 M (103). No shares were repurchased in 2018.

Share and dividend policy

ASSA ABLOY's Series B share is listed on Nasdaq Stockholm, Large Cap. At the end of 2018, ASSA ABLOY's market capitalization amounted to SEK 175,954 M, calculated on both Series A and Series B shares. The Board of Directors' objective is that, in the long term, the dividend should be equivalent to 33–50 percent of income after standard tax, but always taking into account ASSA ABLOY's long-term financing requirements.

2 General Meeting

Shareholders' rights to decide on the affairs of ASSA ABLOY are exercised at the General Meeting. Shareholders who are registered in the share register on the record date and have duly notified their intent to attend are entitled to take part in the General Meeting, either in person or by proxy. Resolutions at the General Meeting are normally passed by simple majority. For certain matters, however, the Swedish Companies Act prescribes that a proposal should be supported by a higher majority. Individual shareholders who wish to submit a matter for consideration at the General Meeting can send such request to ASSA ABLOY's Board of Directors at a special address published on the company's website well before the Meeting.

The Annual General Meeting should be held within six months of the end of the company's financial year. Matters considered at the Annual General Meeting include: dividend; adoption of the income statement and balance sheet; discharge of the Board of Directors and the CEO from liability; election of members of the Board of Directors, Chairman of the Board of Directors and auditor; and determination of remuneration guidelines for senior management and fees for the Board of Directors and auditor. An Extraordinary General Meeting may be held if the Board of Directors considers this necessary or if ASSA ABLOY's auditor or shareholders holding at least 10 percent of the shares so request.

2018 Annual General Meeting

The Annual General Meeting in April 2018 was attended by shareholders representing 52.7 percent of the share capital and 67.8 percent of the votes.

The Annual General Meeting's resolutions included the following.

- Dividend of SEK 3.30 per share.
- Lars Renström, Carl Douglas, Ulf Ewaldsson, Eva Karlsson, Birgitta Klasén, Sofia Schörling Högberg and Jan Svensson were re-elected as members of the Board of Directors and Lena Olving was elected as new member of the Board of Directors. Further, Lars Renström was re-elected as Chairman of the Board of Directors, and Carl Douglas was re-elected as Vice Chairman.
- PricewaterhouseCoopers AB (PwC) was re-appointed as the company's auditor.
- Remuneration of the Board of Directors.
- Remuneration guidelines for senior management.
- Authorization to the Board of Directors regarding repurchase and transfers of own Series B shares.
- A long-term incentive program for senior executives and other key employees in the Group (LTI 2018).
- Instructions for appointment of the Nomination Committee and its assignment.

For more information about the Annual General Meeting, including the minutes, please see www.assaabloy.com.

3 Nomination Committee

According to the instructions adopted by the Nomination Committee at the 2018 Annual General Meeting the Nomination Committee shall be composed of representatives of the five largest shareholders in terms of voting rights registered in the shareholders' register maintained by Euroclear Sweden AB as of 31 August the year before the Annual General Meeting who wish to participate on the Nomination Committee.

The Nomination Committee prior to the 2019 Annual General Meeting comprises Carl Douglas (Investment AB Latour), Mikael Ekdahl (Melker Schörling AB), Liselott Ledin (Alecta), Marianne Nilsson (Swedbank Robur funds) and Anders Oscarsson (AMF and AMF funds). Carl Douglas is Chairman of the Nomination Committee. Carl Douglas is also Vice Chairman of ASSA ABLOY's Board of Directors. The Nomination Committee thus deviates from the Swedish Corporate Governance Code in that the Vice Chairman of the Board of Directors is also Chairman of the Nomination Committee. The reason for this deviation is that the major shareholders consider it to be important to have the representative from the largest shareholder as Chairman of the Nomination Committee.

Should the ownership structure change, the composition of the Nomination Committee may change to reflect such changes.

The Nomination Committee has the task of preparing, on behalf of the shareholders, proposals regarding the election of Chairman of the General Meeting, members of the Board of Directors, Chairman of the Board, Vice Chairman of the Board, auditor, fees for the board members including division between the Chairman, the Vice Chairman, and the other board members, as well as fees for committee work, fees to the company's auditor and changes of the instructions for the Nomination Committee. The Audit Committee assists the Nomination Committee in work associated with the proposal regarding appointment of the auditor.

Prior to the 2019 Annual General Meeting, the Nomination Committee makes an assessment of whether the current Board of Directors is appropriately composed and fulfills the requirements imposed on the Board of Directors by the company's present situation and future direction. The annual evaluation of the Board of Directors and its work is part of the basis for this assessment. Moreover, the Nomination Committee applies ASSA ABLOY's diversity policy for the Board of Directors, which is based on Rule 4.1 of the Swedish Corporate Governance Code, when preparing its proposal for election of members of the Board of Directors. The search for suitable board members is carried on throughout the year and proposals for new board members are based in each individual case on a profile of requirements established by the Nomination Committee.

Shareholders wishing to submit proposals to the Nomination Committee can do so by e-mailing: nominationcommittee@assaabloy.com.

The Nomination Committee's proposals for the 2019 Annual General Meeting are published at the latest in conjunction with the formal notification of the Annual General Meeting, which is expected to be issued around 21 March 2019.

4 Board of Directors

In accordance with the Swedish Companies Act, the Board of Directors is responsible for the organization and administration of the Group and for ensuring satisfactory control of bookkeeping, asset management and other financial circumstances. The Board of Directors decides on the Group's overall objectives, strategies, significant policies, acquisitions and divestments as well as investments of major

importance. Acquisitions and divestments with a value (on a debt-free basis) exceeding SEK 200 M are decided by the Board of Directors. This amount presumes that the matter relates to acquisitions or divestments in accordance with the strategy agreed by the Board of Directors. The Board of Directors approves the Annual Report and Interim Reports, proposes a dividend and remuneration guidelines for senior management to the Annual General Meeting, and makes decisions concerning the Group's financial structure.

The Board of Directors' other ongoing duties include:

- appointing, evaluating and if necessary dismissing the CEO,
- approving the CEO's significant assignments outside the company,
- establishing appropriate guidelines to govern the company's conduct in society with the aim of ensuring long-term value-creating capability,
- ensuring that appropriate systems are in place for monitoring and control of the company's operations and the risks for the company associated with its operations,
- ensuring that there is satisfactory control of the company's compliance with laws and other regulations relevant to the company's operations, and its compliance with internal guidelines, and
- ensuring that external information provided by the company is transparent, accurate, relevant and reliable.

Each year, the Board of Directors reviews and adopts the Board of Directors' rules of procedure, which is the document that governs the work of the Board and the distribution of duties between the Board of Directors and the CEO. The rules of procedure include instructions for the CEO, instructions relating to financial reporting and internal control, and instructions to the Remuneration Committee and the Audit Committee.

Included in the rules of procedure is a description of the role of Chairman of the Board. In addition to organizing and leading the work of the Board of Directors, the Chairman's duties include maintaining contact with the CEO to continuously monitor the Group's operations and development, consulting with the CEO on strategic issues, representing the company in matters concerning the ownership structure, ensuring that the Board receives satisfactory information on which to base decisions and ensuring that Board decisions are implemented. In addition, the Chairman shall ensure that the work of the Board of Directors is evaluated annually.

The Board of Directors has at least four ordinary meetings and one statutory meeting per year. An ordinary meeting is always held in connection with the company's publication of its Year-end Report and Interim Reports. At least once a year the Board of Directors visits one of the Group's businesses, combined with a board meeting. In addition, extraordinary board meetings are held when necessary. All meetings follow an approved agenda. Prior to each meeting, a draft agenda, including documentation, is provided to all members of the Board of Directors.

The Board of Directors has a Remuneration Committee and an Audit Committee. The purpose of these Committees is to deepen and streamline the work of the Board of Directors and to prepare matters in these areas. The members of the Committees are appointed annually by the Board of Directors at the statutory board meeting.

Board of Directors' composition

The Board of Directors is elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting and shall, according to the Articles of Association, comprise a minimum of six and a maximum of ten members elected by the Meeting. Two of the members are appointed by the employee organizations in accordance with Swedish law. The employee organizations also appoint two deputies. The Board of Directors has consisted of eight elected members and two employee representatives since the 2018 Annual General Meeting. No board members are included in the Executive Team.

The diversity policy that ASSA ABLOY applies with respect to the company's Board of Directors is based on Rule 4.1 of the Swedish Corporate Governance Code. The objective is that the composition of the Board of Directors, taking into account the company's operations, phase of development and other circumstances, shall be appropriate, characterized by versatility and breadth regarding the qualifications, experience and background of the elected members, and strive to achieve gender equality. In 2018 the Nomination Committee has taken the diversity policy into account when preparing its proposal for election of members of the Board of Directors prior to the Annual General Meeting. After the election at the 2018 Annual General Meeting, four of eight elected board members are women. In addition, in-depth reviews of operations were conducted during the year at selected divisions in order to broaden the expertise of the Board of Directors within ASSA ABLOY. The Board also completed a training at the Group's common development center, Shared Technologies, to gain further understanding of ASSA ABLOY's new technological solutions.

Board of Directors' work in 2018

The Board of Directors held ten meetings during the year. At the ordinary board meetings the CEO reported on the Group's performance and financial position, including the outlook for the coming quarters. Acquisitions and divestments were also discussed to the extent they arose.

More important questions that the Board of Directors addressed during the year include impairment of goodwill and other intangible assets, as well as operating assets in the Chinese operation in the Asia Pacific division. In addition, the Board of Directors addressed a number of acquisitions, including HKC, Crossmatch and Luxer One, as well as the divestment of the US wooden door business in the Americas division, consisting of the two companies Graham Wood Doors and Maiman Company, to Masonite. During the year,

SUMMARY OF BOARD OF DIRECTORS' WORK AND COMMITTEE MEETINGS IN 2018

Ordinary board meeting
 Year-end results
 Proposed distribution of earnings
 Approval Annual Report
 Final Audit Report
 Proposals to Annual General Meeting
 Evaluation Executive Team
 Acquisitions

Ordinary board meeting
 Interim Report Q1
 Acquisitions
 Presentation HID Global

January	February	March	April	May	June
	<p>Remuneration Committee meeting</p> <p>Audit Committee meeting</p>	<p>Extraordinary board meeting Notice Annual General Meeting</p>	<p>Audit Committee meeting</p> <p>Statutory board meeting Appointment committee members Adoption Board of Directors' rules of procedure and significant policies Signatory powers</p>		

At the ordinary board meetings the CEO also reported on the Group's performance and financial position, including the outlook for the coming quarters.

the Board of Directors also conducted in-depth reviews of the Group's operations in Global Technologies division's HID Global business unit, the Entrance Systems division and the Asia Pacific division, and visited the EMEA division's operations in Albstadt and Berlin, Germany. The Board of Directors' work is summarized in the timeline on pages 50–51.

An evaluation of the Board of Directors' work is conducted annually in the form of a web-based survey, which each board member responds to individually. A summary of the results is presented to the Board of Directors. Board members who wish can access the complete results of the evaluation. The Secretary to the Board of Directors presents the complete results of the evaluation to the Nomination Committee.

5 Remuneration Committee

In 2018 the Remuneration Committee comprised Lars Renström (Chairman) and Jan Svensson.

The Remuneration Committee has the task of drawing up remuneration guidelines for senior management, which the Board of Directors proposes to the Annual General Meeting for resolution. The Board of Directors' proposal for guidelines prior to the 2019 Annual General Meeting is set out on page 57.

The Remuneration Committee also prepares, negotiates and evaluates matters regarding salaries, bonus, pension, severance pay and incentive programs for the CEO and other senior executives. The Committee has no decision-making powers.

The Committee held two meetings in 2018. Its work included preparing a proposal for the remuneration of the Executive Team, evaluating existing incentive programs, and preparing a proposal for a new long-term incentive program. Remuneration Committee meetings are minuted; a copy of the minutes is enclosed with the materials provided to the Board and a verbal report is given at board meetings.

6 Audit Committee

In 2018 the Audit Committee comprised Jan Svensson (Chairman), Birgitta Klasén and Sofia Schörling Högberg.

The duties of the Audit Committee include continuous monitoring and quality assurance of ASSA ABLOY's financial reporting. Regular communication is maintained with the company's auditor, including on the focus and scope of the audit. The Audit Committee is also responsible for evaluating the audit assignment and obtaining the results of the Swedish Inspectorate of Auditors' quality control of the auditor, as well as informing the Board of Directors of the results of the evaluation. The Audit Committee also has the task of supporting the Nomination Committee in providing a proposal for the appointment of auditor. Furthermore, the Audit Committee shall review and monitor the impartiality and independence of the auditor, paying particular attention to

whether the auditor provides the company with services other than auditing services. The Audit Committee sets guidelines for procurement of services other than audit services from the company's auditor, but otherwise, the Committee has no decision-making powers.

The Committee held four meetings in 2018. The company's auditor and representatives from senior management also participated at these meetings. More important matters dealt with by the Audit Committee during the year included internal control, financial statements and valuation matters, tax matters, insurance and risk management matters and legal risk areas. Audit Committee meetings are minuted; a copy of the minutes is enclosed with the materials provided to the Board and a verbal report is given at board meetings.

Remuneration of the Board of Directors

The General Meeting passes a resolution on the remuneration to be paid to board members. The 2018 Annual General Meeting passed a resolution on board fees totaling SEK 6,780,000 (excluding remuneration for committee work) to be allocated between the members as follows: SEK 2,100,000 to the Chairman, SEK 900,000 to the Vice Chairman, and SEK 630,000 to each of the other members elected by the Annual General Meeting. As remuneration for committee work, the Chairman of the Audit Committee is to receive SEK 275,000, the Chairman of the Remuneration Committee SEK 150,000, members of the Audit Committee (except the Chairman) SEK 200,000 each, and members of the Remuneration Committee (except the Chairman) SEK 75,000 each.

The Chairman and other board members have no pension benefits or severance pay agreements. The employee representatives do not receive board fees. For further information on the remuneration of board members in 2018, see Note 33.

Attendance 2018, Board of Directors and Committees

Board members	Board of Directors	Audit Committee	Remuneration Committee
Lars Renström	10/10		2/2
Carl Douglas	9/10		
Ulf Ewaldsson	10/10		
Eva Karlsson	10/10		
Birgitta Klasén	10/10	4/4	
Eva Lindqvist	3/3		
Johan Molin	2/3		
Lena Olving	7/7		
Sofia Schörling Högberg	9/10	3/4	
Jan Svensson	10/10	4/4	2/2
Rune Hjälms	9/10		
Mats Persson	9/10		

The maximum number of meetings varies due to appointment and resignation in 2018.

July	August	September	October	November	December
Ordinary board meeting Interim Report Q2 Acquisitions	Ordinary board meeting Acquisitions		Ordinary board meeting and visit to operations Visit EMEA Presentation Entrance Systems Presentation Shared Technologies Strategy Acquisitions Ordinary board meeting Interim Report Q3 Ordinary board meeting Presentation Asia Pacific Acquisitions Restructuring program		
Extraordinary board meeting Impairment China, Asia Pacific Audit Committee meeting			Remuneration Committee meeting Audit Committee meeting		