

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 2019). LTI 2019 is based on the same principles as LTI 2018.

LTI 2019 is proposed to include a maximum of 115 senior executives and key employees within the ASSA ABLOY Group. In order to participate in LTI 2019 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 2019, 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 2019 is to strengthen the ASSA ABLOY 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 2019 will have a positive effect on the long-term value growth of the Group and consequently that LTI 2019 is beneficial to both the shareholders and the company.

Personal investment

In order to participate in LTI 2019, the participants will have to invest in Series B shares in ASSA ABLOY at market price. The personal investment shall amount to a value corresponding to a minimum of 5 per cent (all participants) and a maximum of 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 2019, 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 2019 is in addition subject to renunciation of customary salary review for the year 2019.

Participants in LTI 2019 and allocation

LTI 2019 is proposed to include a maximum of 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 2019, the company will grant six performance awards. For each Series B share that other senior executives (currently nine individuals) purchase under LTI 2019, each such individual will be awarded five performance awards. For each Series B share that other participants (approximately 105 individuals) purchase under LTI 2019, 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 share¹ based on the target levels, as defined by the Board of Directors, during the measurement period 1 January 2019 – 31 December 2021, where each year during the measurement period is compared to the previous year. The outcome is calculated yearly, whereby one third of the

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

performance awards is measured against the outcome for 2019, one third is measured against the outcome for 2020 and one third is measured against the outcome for 2021.

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 2021.

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 2019 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 2022 still is employed by the ASSA ABLOY Group and has maintained the personal investment purchased under LTI 2019.
- 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.

Preparation and administration

The Board of Directors shall be responsible for preparing the detailed terms and conditions of LTI 2019, 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 2019 no longer are appropriate.

In the event that the Board of Directors considers that the delivery of shares under LTI 2019 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 2019 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 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 for 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, that the performance based condition has been fully achieved and that the participant, with some exceptions, still is employed during the vesting period.

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 2019. 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 194 at the time of allotment of performance awards under LTI 2019, LTI 2019 will, in accordance with the principles and assumptions set out above, comprise maximum 720,000 Series B shares in total, which corresponds to approximately 0.1 per cent of the total outstanding shares and votes in the company.

LTI 2019 shall be expensed as personnel costs over the vesting period. Provided that the performance based condition is fully achieved, the cost for LTI 2019 before tax is, in accordance with the principles and assumptions set out above, estimated to approximately SEK 130 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 2019, outweighs the costs related to LTI 2019.

Information about LTI 2016, LTI 2017 and LTI 2018 can be found in the Annual Report 2018, Note 33.

Delivery of shares under LTI 2019

To ensure the delivery of Series B shares under LTI 2019, 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 2019.

Preparation of the proposal

LTI 2019 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. LTI 2019 has been prepared by the Remuneration Committee and reviewed at meetings of the Board of Directors.

Stockholm in March 2019
The Board of Directors
ASSA ABLOY AB (publ)