

## Annual General Meeting of Investor AB on May 3, 2017

### Agenda Item 17

#### **The Board of Directors' proposal for resolutions on guidelines for salary and other remuneration for the President and other Members of the Management Group and on long-term variable remuneration programs**

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#### **Information concerning proposed resolutions at the Annual General Meeting**

##### ***Reasons for the proposal by the Board of Directors***

Recruiting and retaining the most suitable executives and employees is vital in order to achieve long-term competitive return for the shareholders. Therefore, Investor strives to offer its employees a total compensation package which is competitive and in line with market conditions. The total compensation package consists of the following components: fixed cash salary, variable cash salary, long-term variable remuneration, pension and non-monetary benefits and other remuneration. The combination of the foregoing remuneration components means that the Company has appropriate control instruments and that a common interest to run the business towards long-term competitive return on the shares is created between the Company's employees and owners.

The principles for total remuneration for Investor's employees are:

- that employees at Investor shall receive a total remuneration that is competitive and in line with market conditions;
- that the allocation between fixed salary and variable salary shall be in proportion to the employee's position and to what is customary on the market for such positions;
- that the remuneration shall be based on factors such as position, performance and individual qualifications;
- that the remuneration shall establish a common interest between shareholders and employees through connection to the Company's long-term value development;
- to encourage an entrepreneurial method of working;
- that the remuneration shall attract the edge competence which is necessary to develop the business, in accordance with Investor's strategy to be "best-in-class";
- that the remuneration shall not discriminate on the basis of gender, ethnic background, national origin, age, disability, or any other circumstance; and
- that the remuneration shall encourage each individual employee to build up a significant private ownership of Investor shares in relation to the employee's financial conditions.

Investor strives to establish a model where the possible variable cash salary and long-term variable remuneration constitutes a considerable part of the calculated total remuneration. Clear individual goals for the variable cash salary creates appropriate opportunities for Investor to clarify the expectations pertaining to the performance of individual employees and thus provides the possibility to reward good performance and achieved goals. Pursuant to an agreement, the employees are entitled to an expected value of the long-term variable remuneration. As part of the remuneration is variable, the Company's costs will also be correspondingly variable meaning that poor performance entails lower remuneration and thereby also lower costs for the Company. The alternative to variable cash salary and long-term variable remuneration would be to only offer a higher fixed cash salary. However, the positive effects and incentives which Investor's model strives to establish would in such case not be expected to be achieved to the same extent.

##### ***Monitoring and evaluation (Report according to The Swedish Corporate Governance Code)***

The Remuneration Committee annually monitors and evaluates on-going, and during the year completed, programs concerning variable salary. The Remuneration Committee also monitors and evaluates the current remuneration structure and levels of remuneration in the Company, the application of the guidelines approved at the Annual General Meeting concerning salary and other remuneration to the President and other Members of the Management Group as well as programs for long-term variable remuneration.

##### Objectives

Investor shall strive to offer competitive total remuneration which will enable the Company to recruit and retain the right senior executives. The remuneration components give the Company appropriate control instruments and a common interest to run the business towards long-term competitive return on the shares is created between the Company's employees and owners.

##### Variable cash salary

The variable cash salary is connected to individual goals that are set annually. The goals are both quantitative and qualitative and aim at realising Investor's long-term strategy. In 2016, goals have for example been targets linked to projects and operations related to the portfolio companies and targets relating to specific projects, streamlining internal processes, cost efficiency and transactions processes.

Monitoring and evaluation of variable cash salary are carried out in the end of each year. Fulfillment of the goals set for the President is monitored and evaluated by the Remuneration Committee. The variable cash salary is proposed by the Remuneration Committee and thereafter established by the Board of Directors. Remuneration issues concerning other Members of the Management Group are decided by the Remuneration Committee, after which the Board is informed.

#### Long-term variable remuneration

Investor's program for long-term variable remuneration has, from and including 2006, been composed of a Stock Matching Plan applicable to employees and in addition to that a Performance-Based Share Program applicable to senior management. The possibility to acquire shares under the Stock Matching Plan is connected to the employee's holding of shares in Investor under a certain period of time. The possibility to acquire shares under the Performance-Based Share Program is, from 2009, tied to the total return of the Investor share under a period of three years. The number of shares that may be acquired is dependent on the outcome of the performance criteria, but shall not exceed the maximum amount as determined at the time of allotment. The program for 2014 is the most recent program where the vesting period has lapsed. The outcome of the performance criteria under the program for 2014 has resulted in that senior management, with the right to acquire Performance Shares, is being entitled to acquire 58 percent of the maximum number of Performance Shares. The maximum amount of Performance Shares according to decision at the time of allotment was 258,017. The vesting periods for the programs 2015 and 2016 have not yet lapsed.

The development of the programs is evaluated on a continuous basis throughout the year. The Remuneration Committee also carries out a more thorough evaluation of the programs, usually every third year. Prior to the Annual General Meeting in 2006 the Board of Directors prepared, in consultation with representatives of a number of Investor's shareholders, a new program for long-term variable remuneration. Prior the Annual General Meeting in 2009 a project group, appointed by the Remuneration Committee, carried out a thorough evaluation of the long-term variable remuneration program for the Management and other employees which was adopted at the Annual General Meeting in 2008. The evaluation resulted in that the program that was proposed to the Annual General Meeting in 2009 was simplified and that a clearer connection was created to the long-term development of the value of the Investor share. During 2011 the Remuneration Committee initiated a thorough evaluation of the long-term variable remuneration program for the management and the employees which was adopted at the Annual General Meeting 2011. The evaluation was made from four perspectives; the employees' motivation and alignment of interest with shareholders, the control effects, the effects of the program on the shareholder value and simplification. As a result of the evaluation, the Board discussed and evaluated alternative changes to the long-term variable remuneration program. The long-term variable remuneration programs proposed by the Board and decided by the Annual General Meetings in 2012-2016 were substantially the same as the program from 2011, with the exception that the price for acquiring Performance Shares as well as the total number of Performance Shares under the Performance-Based Share Program were reduced. During 2016, a renewed evaluation of the long-term variable remuneration program was conducted, based on the same four perspectives described above. The Board has decided to propose to the Annual General Meeting 2017 a long-term variable remuneration program which is substantially the same as the programs from 2012-2016. However, employees within Patricia Industries shall not be included in the program since such employees instead are covered by a proposed, separate long-term variable remuneration program, designed specifically for employees within Patricia Industries.

#### Guidelines for salary and other remuneration

The guidelines for salary and other remuneration to the President and other Members of the Management are evaluated continuously throughout the year. In order to carry out the valuation, the Remuneration Committee collects information from, among others, the President, the Head of Corporate Governance, the Human Resources Manager and external advisors. The internal and external information facilitates to ensure that the remunerations in Investor are in line with market conditions and competitive. Further, comparative studies of relevant industries and markets are carried out annually in order to determine what constitutes a total level of remuneration in line with market conditions and in order to evaluate current remuneration levels. The result of such studies is an important variable when determining the total remuneration for the Management and other employees.

#### The Remuneration Committee's conclusion

The Remuneration Committee's overall conclusion is that the currently applied structures and levels of remuneration in the Company, together with the new proposed long-term variable remuneration program for employees within Patricia Industries, are well suited to fulfil the objectives of the remuneration.

#### **17 The Board of Directors' proposal**

The Board of Directors considers, based on, among other things, the evaluation carried out by the Remuneration Committee, that the proposal presented to the Annual General Meeting 2017, constitutes a balanced adjustment between fixed cash salary, variable cash salary, long-term variable remuneration and pension terms and non-monetary benefits and other remuneration.

For a description of the outstanding programs for long-term variable remuneration and other outstanding compensation terms see note 9 in the Company's annual report for 2016 and the Company's website.

## **17A Guidelines for salary and other remuneration for the President and other Members of the Management Group**

The Management Group consists of the President Johan Forssell, Petra Hedengran, Daniel Nodhäll, Helena Saxon and Stefan Stern as well as the two additional members, Noah Walley and Christian Cederholm, who together with the other members form Investor's Extended Management Group. Noah Walley and Christian Cederholm are Co-Heads of Patricia Industries North America and Nordics respectively.

The Board of Directors' proposal regarding guidelines for salary and other remuneration for the President and other Members of the Management Group to the Annual General Meeting 2017 corresponds in substance with the guidelines for remuneration decided by the Annual General Meeting 2016.

Fees received for board work in listed Core Investments may be retained by the Member of the Management Group but will be taken into account in the determination of the employee's total remuneration.

### ***Preparation of decisions on remuneration***

The preparation of decisions on remuneration will adhere to the following procedures. As far as the President is concerned, the Remuneration Committee will propose cash salary, criteria for the variable salary and other terms of employment to be confirmed by the Board. Remuneration issues concerning other Members of the Management Group are decided by the Remuneration Committee, after which the Board is informed.

### ***Guidelines***

Investor shall strive to offer competitive total remuneration in line with market conditions which will enable the Company to recruit and retain the most suitable senior executives. Comparative studies of relevant industries and markets are carried out annually in order to determine what constitutes a total level of remuneration in line with market conditions and in order to evaluate current remuneration levels. The total remuneration shall be based on factors such as position, performance and individual qualification.

The total remuneration to the Management Group may consist of

- fixed cash salary;
- variable cash salary;
- long-term variable remuneration;
- pension; and
- non-monetary benefits and other remuneration.

Fixed cash salary, variable cash salary and long-term variable remuneration together comprise the total salary for an employee.

### **Fixed cash salary**

The fixed cash salary shall be reviewed annually and constitutes the basis for calculation of the variable salary.

### **Variable cash salary**

The short-term variable cash salary shall be dependent upon the individual's achievement to meet annually set goals. The outcome of the short-term variable cash salary is reviewed annually. For the Management Group, the highest possible short-term variable cash salary shall vary due to the position held and employment agreements and shall, for the Members of the Management Group, generally amount to 10-75 percent of the fixed cash salary. For the President, the short-term variable cash salary amounted to maximum 30 percent in 2016. The total short-term variable cash salary before tax for all current Members of the Management Group can vary between SEK 0 and SEK 16.0 million during 2017, depending on whether the goals have been met. The short-term variable cash salary might exceed this amount in the event that the Management Group is expanded. The outcome should only be related to the fulfillment of the individual's goals and thus the remuneration is clearly related to the work contributions and performance of the individual. The goals shall be both qualitative and quantitative and be based on factors which support the Company's long-term strategy.

### **Long-term variable remuneration**

The long-term variable remuneration is described under items 17B and 17C below.

### **Pension**

Pension benefits shall consist of a premium based pension plan of which the ratio of pension provisions to fixed cash salary depends on the age of the executive. In respect of employees working abroad, pension benefits shall be adjustable in line with local pensions practice. The age of retirement for the President and other Members of the Management Group shall be 60 years.

### **Non-monetary benefits and other remuneration**

Non-monetary benefits and other remuneration shall be on market terms and shall contribute to facilitating the executive's discharge of his or her duties.

#### Termination and severance pay

Investor and Members of the Management Group may mutually terminate employment contracts subject to a six months' notice. Fixed cash salary during the notice period and severance pay shall, for Members of the Management Group with employment contracts entered into after the Annual General Meeting 2010, in aggregate not exceed the fixed cash salary for two years. For Members of the Management Group employed before the Annual General Meeting of 2010 the contracts already entered into shall apply. For these Members a mutual termination period of six month applies and severance payment is maximized to 24 months of fixed cash salary.

The board of directors may deviate from the guidelines where special cause exists therefor in an individual case.

***The Board of Directors proposes that the Annual General Meeting approves the above reported guidelines for salary and other remuneration for the President and other Members of the Management Group.***

#### **17B Background and description in respect of long-term variable remuneration program for the Members of the Management Group and other employees**

As concerns the long-term variable remuneration program, it is the ambition of the Board of Directors to encourage employees to build up a significant shareholding in Investor. The program is structured to provide a balance between, on the one hand, the employees' assumption of risk through a requirement of personal holding of Investor shares and, on the other, the employees' possibility to receive performance-related allotments of shares in Investor. The own holding makes the employees committed to Investor. In addition, a part of the remuneration to the employees is related to the long-term development of Investor and the Investor share and the employee is exposed to share price increases and decreases and the employee thereby has goals aligned with those of Investor's shareholders.

##### **1. Earlier long-term variable remuneration programs**

Prior to the Annual General Meeting 2006 the Board of Directors developed a new long-term variable remuneration program. In summary, the 2006 program is built on a Stock Matching Plan under which the employees, for each Investor share which they purchase, receive two options and the right to purchase one share at a pre-determined price. In addition, the President and certain Members of Senior Management may participate in a Performance-Based Share Program, under which opportunities are given to purchase more Investor shares. The programs 2007 and 2008 correspond in all material respects to the 2006 program. Prior to the Annual General Meeting 2009 a thorough evaluation of the program was carried out. The evaluation resulted in the fundamental principles set forth in the programs 2006-2008 remaining unchanged but that the program proposed to the Annual General Meeting 2009 was simplified and to some extent modified. Partly, the price at which Performance-Based Shares may be acquired was increased, partly the two previous financial targets for the right to purchase Performance Shares were replaced by one target; the total return of the Investor share. The program for long-term variable remuneration that the Annual General Meeting adopted in 2010 is substantially the same as the program that was adopted in 2009. The program that the Annual General Meeting adopted in 2011 is substantially the same as the program that was adopted in 2010, with the exception that the employees may use shares already held in Investor for participation in the Stock Matching Plan as an alternative to a new investment. During 2011 a thorough evaluation was carried out of the long-term variable remuneration program for the Management and the employees which was adopted at the Annual General Meeting 2011. The long-term variable remuneration programs proposed by the Board and decided by the Annual General Meetings in 2012-2016 were substantially the same as the program from 2011, with the exception that the price for acquiring Performance Shares as well as the total number of Performance Shares under the Performance-Based Share Program were reduced. During 2016, a renewed evaluation of the long-term variable remuneration program was conducted.

##### **2. The program in short, decision procedure, majority requirements, etc**

The Board of Directors has decided to propose to the Annual General Meeting 2017 a program for long-term variable remuneration which substantially is the same as the program from 2016. However, employees within Patricia Industries shall not be included in the program since such employees instead are covered by a proposed, separate long-term variable remuneration program, designed specifically for employees within Patricia Industries. The cost for the long-term variable remuneration program is in line with the program from last year. The Board of Director's decision has been preceded by the Remuneration Committee's preparation of the matter. The implementation of the program is conditional upon the adoption of the scope and main principles of the program pursuant to a resolution adopted by simple majority at the Annual General Meeting.

The proposals for Investor's long-term variable remuneration program for 2017, which is connected to Investor shares of class B, in common with the program of 2016, have the following two components.

##### **3. Stock Matching Plan**

The **Stock Matching Plan** entails that employees who choose to participate in the program by an own investment in Investor shares or by using shares already held in Investor for each share that qualifies for participation in the Stock Market Plan ("Participation Share") will receive two options ("Matching Options") and a right to purchase one Investor share ("Matching Share"). In order to qualify for participation in the Stock Matching Plan, the share must be held by the employee with full title, must not be subject to any restrictions under any outstanding Stock Matching Plans and must be placed at a custodian bank as designated by Investor. Thereafter, the employee may not

dispose over the Investor share in any other way than as provided for in the Stock Matching Plan during the vesting period. The Participation Share may either be a share that the employee already owns or a share which is acquired during a period following the disclosure of Investors first interim report for 2017 as resolved upon by the Board of Directors ("Measurement Period"). The average volume weighted payment price for the Investor share during the Measurement Period is below referred to as the "Participation Price". Allotment occurs after a three-year vesting period. The Matching Share can be acquired for SEK 10 during a four-year period after the vesting period. During the same period, each Matching Option entitles the holder to purchase one Investor share at an exercise price corresponding to 120 percent of the Participation Price.

The President, other Members of the Management Group and a maximum of 20 other executives within Investor ("Senior Management") are obligated to participate in the Stock Matching Plan with Participation Shares corresponding to a "Participation Value" of at least 5 percent of their fixed cash salary before taxes. Participation Value means number of Participation Shares multiplied with the Participation Price. In addition, Senior Management are offered to participate with Participation Shares to such an extent that the value of the allotted Matching Options and Matching Shares amounts to maximum between 10 and approximately 27 percent of their respective fixed cash salary before taxes, depending on position, performance, etc. Other employees are not obligated, but have a right, to participate with Participation Shares to an extent that the value of the allotted Matching Options and Matching Shares amounts to maximum 10 or 15 percent of fixed cash salary of the employees concerned depending on position, performance, etc.

Under the Stock Matching Plan, the President is entitled to participate with Participation Shares corresponding to a Participation Value of up to 31 percent of the fixed cash salary before taxes in Investor shares. If the President participates fully in the Stock Matching Plan, the possibility to receive a Matching Share and two Matching Options per Participation Share under the Stock Matching Plan corresponds to a theoretical value of approximately 27 percent of the fixed cash salary before taxes.

The theoretical value of the Stock Matching Plan has been calculated taking into consideration the value of the options, the investment risk, the risk of termination of employment and the price paid for every Matching Share. At an estimated Participation Price of SEK 370 per share, the calculated value amounts to approximately 85 percent of the invested amount.

#### **4. Performance-Based Share Program**

According to the proposal, Senior Management, in addition to participating in the Stock Matching Plan, also participates in a **Performance-Based Share Program**. Under the Performance-Based Share Program, Senior Management, after a three-year vesting period, have the right, during a period of four years thereafter, to acquire additional Investor shares ("Performance Shares") at a price corresponding to 50 percent of the Participation Price, (100 percent in the programs 2009-2011), conditional upon the total return on the Investor shares exceeding a certain level during the vesting period.

The total return is measured during three year qualification period (quarterly measurement on running 12-month basis where the total outcome is estimated as the average total return during the three years based on 9 measurement points). In order to give the Senior Management the right to acquire the maximum number of Performance Shares that are allotted to the Senior Manager in question, the average annual total return of the Investor share (including reinvested dividends) must exceed the interest on 10-year government bonds by more than 10 percentage points. If the total return does not exceed the 10-years interest on government bonds by at least 2 percentage points, then Senior Management is not entitled to acquire any Performance Shares. If the total return is between the 10-years interest on government bonds plus 2 percentage points and the 10-years interest on government bonds plus 10 percentage points, then a proportional (linear) calculation of the number of shares that may be acquired shall be made.

The theoretical value of the opportunity to acquire Performance Shares for Senior Management shall amount to between 20 and approximately 53 percent of the respective senior manager's fixed cash salary for 2017 (for the President, approximately 53 percent).

The theoretical value of a Performance Share considers, *inter alia*, the likelihood of meeting the performance criteria and is based on the Black & Scholes valuation model. At an estimated stock price of SEK 370, the value of every Performance Share amounts to SEK 87. The likelihood to meet the performance criteria has been, based on historical data for the Investor B-share (verified by external advisors), calculated to approximately 50 percent.

The final number of Performance Shares that may be acquired is dependent on the outcome of the performance requirements, but cannot exceed a maximum number (limit) determined in conjunction with the allotment in 2017.

When the Matching Shares and Performance Shares are acquired, the employee receives remuneration for dividends paid during the vesting period and up to the date of acquisition. This is in order for the program to be dividend neutral.

## **5. Number of shares, costs and hedging arrangements**

A Participation Price of SEK 370, entails that the employees as a result of the Matching Options may acquire not more than 80,000 shares if employees fully exercise the Stock Matching Plan possibility. The highest number of Matching Shares that the employees can have the right to acquire, including estimated remuneration for dividends, amounts to 50,000 provided employees fully exercise the possibility to participate in the Stock Matching Plan. The highest number of Performance Shares that Senior Management can have the right to acquire, including estimated remuneration for dividends, amounts to 245,000. The highest number of shares that can be acquired under the long-term variable remuneration program is, in order to maintain the value given above, dependent upon the Participation Price and can thus increase or decrease. The maximum number of shares can also change following a recalculation due to a rights issue, split, bonus issue or similar action.

The costs for the 2017 long-term variable remuneration program as shown on the income statement is based on the accounting principles in accordance with IFRS-2 and amounts, with a Participation Price of SEK 370 and full participation for the shares during the Measurement Period, to approximately SEK 21 (of which the Management Group approximately 7) million for the Stock Matching Plan and approximately SEK 19 (of which the Management Group SEK approximately 10) million for the Performance-Based Share Program. Estimated costs for social security charges are included in these amounts. The costs will be allocated over the three-year vesting period.

In order to limit the costs inclusive of social security charges for the long-term variable remuneration, the Board of Directors intends to hedge the exposure by entering into total return swaps with third parties and/or provided that the Annual General Meeting so decides under item 18 on the agenda to purchase its own shares, which can be transferred to the employees under the Stock Matching Plan and the Performance-Based Share Program. The hedging measures and the future handling of these will have the effect that the costs mentioned above will not be affected by an increasing share price, but the costs may decrease if the goals for the Performance Shares are not fully met.

The intention is that no new shares shall be issued as a result of the Stock Matching Plan or the Performance-Based Share Program. In case of hedging through the acquisition of own shares, already existing shares may however first be repurchased and delivered to the employees, or be sold in the market place in order to cover social security charges.

## **6. Miscellaneous**

The long-term variable remuneration program 2017 is expected to result in only marginal dilutive effects for the Company and its shareholders since the program is limited in scope and due to the fact that already existing shares will be used. Under the given assumptions above, the program may lead to delivery of not more than 375,000 Investor shares, corresponding to approximately 0.05 percent of the total number of outstanding shares and approximately 0.01 percent of the total number of votes in the Company. Together with long-term variable remuneration programs previously resolved upon, which comprise approximately 1.5 million shares, the variable remuneration programs of Investor include approximately 0.2 percent of the total number of outstanding shares and approximately 0.1 percent of the total number of votes in the Company. Further information regarding variable remuneration programs for previous years is contained in Investor's Annual Report and on the Company's website.

***With reference to the presentation above the Board of Directors proposes that the Annual General Meeting approves the scope and main guidelines for the Stock Matching Plan and the Performance-Based Share Program for 2017.***

### **17C Background and description in respect of the long-term variable remuneration program for employees within Patricia Industries**

It is the Board of Directors' ambition to create a closer alignment for the variable remuneration of employees of Patricia Industries ("PI") to the value creation in PI's portfolio. Accordingly, the Board of Directors proposes that a long-term variable remuneration program be adopted whereby employees of PI are directly aligned with the value creation of PI. For employees of PI who have previously taken part in Investor's long-term variable remuneration program (described in item 17B) this program replaces such participation.

As concerns the long-term variable remuneration program for designated employees of PI, it is the ambition of the Board of Directors to encourage the employees to build up significant economic holdings in Investor shares as well as, either directly or indirectly, in existing and future investments made by PI. The program is structured to provide a balance between a) the employee's own personal investment in Investor shares, and b) performance-related allotments of instruments tied to existing and future investments made by PI. The employees' own holdings should enhance the employees' commitment to PI and Investor. In addition, since a substantial part of the participating employees' overall remuneration is related to the long-term development of PI (including new investments made by PI), the employees will be exposed to value increases and value decreases and the employees will thereby have goals aligned with those of Investor's shareholders.

#### **1. The program in short, decision procedure, majority requirements, etc.**

The Board of Directors has decided to propose to the Annual General Meeting 2017 to adopt a program for long-term variable remuneration which is based on the same structure as the program described in item 17B but which is

related to the value growth of PI. The Board of Directors' decision has been preceded by the Remuneration Committee's and PI's Board of Directors' preparation of the matter. The implementation of the program is conditional upon the approval of the scope and main principles of the program pursuant to a resolution adopted by simple majority at the Annual General Meeting in accordance with the proposal set out below.

The instruments in the PI long-term variable remuneration program will be granted under two different Plans as further described below: the PI Balance Sheet Plan (the "PI-BS Plan"); and the PI North America Subsidiaries Plan (the "PI-NA Plan"). The instruments will have a duration of up to seven years and participants will, conditional upon making a personal investment in Investor shares, be granted instruments that may vest after a three-year vesting period and may be exercised and/or settled during the four-year period thereafter (subject to applicable US tax laws).

## **2. General terms for the PI long-term variable remuneration program**

### *Personal investment*

Similar to the proposed long-term variable remuneration program 2017 for employees within Investor under item 17B, the program entails that all employees within PI who participate in the program must make a personal investment in Investor shares (such shares, the "Participation Shares"). In order to qualify for participation, the Participation Shares must be held by the employee with full title, must not be subject to any restrictions under any outstanding long-term variable remuneration program and must be placed with a custodian bank as designated by Investor. Thereafter, the employee may not dispose of the Participation Shares during the vesting period in any way other than as provided for in the program. The Participation Shares may either be shares that the employee already owns or shares which are acquired during a period following the publication of Investor's first interim financial report for the year of grant as resolved upon by the Board of Directors (the "Measurement Period").

### *Participants and Participation Value*

A maximum of 25 employees within PI are offered to participate in the program with Participation Shares corresponding to a "Participation Value" determined in line with the principles set out in the complete proposal regarding item 17B. The maximum Participation Value for each of the participants will depend on the participant's place of work and performance and will amount to a maximum of approximately between 17 percent and 58 percent of the participant's annual fixed cash salary before taxes.

Two categories of employees will be offered to participate in the program: (i) *PI Senior Management* and (ii) *Other PI Employees*. Participants employed within the PI Nordic organization will only be offered to participate in the PI-BS Plan whereas participants employed within the PI North America organization will be offered to participate with 60 percent of their grant value (determined as described below) in the PI-BS Plan and 40 percent of their grant value in the PI-NA Plan.

### *Grant Value*

Each participant will be allocated a so called "Grant Value" depending on the participant's position within PI and regional differences as to remuneration. The Grant Value per participant is set at a maximum of each participant's annual fixed cash salary before taxes ranging between 15 percent and approximately 160 percent of the annual fixed cash salary before taxes. In order to be entitled to the maximum Grant Value, each participant must participate with the maximum number of Participation Shares. The Grant Value for each participant will be translated into a number of cash-settled instruments. This number of instruments determined in conjunction with the grant can never be exceeded (limit), only reduced, depending on the outcome of the performance conditions (if applicable) described below.

### *The PI-BS Plan*

Based on the Grant Value allocated to the PI-BS Plan, participants will be granted instruments, the value of which will depend on the value creation in PI during the term of the instruments. The PI-BS Plan is structured to provide a balance between, on the one hand, the employees' assumption of risk through the requirement that they personally invest in Investor shares and, on the other, the possibility for the employees to receive remuneration based on the value created within business area PI.

### *The PI-NA Plan*

Based on the Grant Value allocated to the PI-NA Plan, participants will be granted instruments, the value of which will depend on the value creation of the North American operating subsidiaries of PI during the term of the instruments. The PI-NA Plan is structured to provide a balance between, on the one hand, the employees' assumption of risk through the requirement that they personally invest in Investor shares and, on the other, the possibility for the employees to be appropriately rewarded in light of the value created in the North American subsidiaries of PI.

### *General terms of instruments*

The instruments granted under the PI-BS Plan and the PI-NA Plan shall be governed by the following terms and conditions:

- Granted free of charge.

- Instruments granted to *Other PI Employees* under the two Plans will replicate the structure of the Stock Matching Plan described in item 17B.
- Instruments granted to *PI Senior Management* under the two Plans will consist both of instruments replicating the Stock Matching Plan in item 17B and instruments subject to specific performance conditions replicating the structure of the Performance-Based Share Program described in item 17B.
- Vest three years after grant (the “Vesting Period”).
- May not be transferred or pledged.
- Subject to vesting, the instruments may be exercised and/or settled during the four-year period following the end of the Vesting Period, subject to applicable US tax laws and provided that the participant, with certain exceptions, maintains the employment with PI and keeps the Participation Shares during the Vesting Period.
- Cash-settled.
- Participants receive remuneration for dividends paid from time of grant up to the date of exercise and/or settlement. This in order for the program to be dividend neutral.

#### *Specific performance conditions for PI Senior Management*

The following performance conditions will apply to the instruments under the program allocated to PI Senior Management (replicating the structure of the Performance-Based Share Program described in item 17B).

*Instruments granted under the PI-BS Plan:* In order for participants to be awarded the maximum number of instruments the compounded annual growth of the fair market value of PI’s balance sheet must exceed the interest on 10-year Swedish government bonds by more than 10 percentage points. If the applicable compounded annual growth is between the 10-year interest on Swedish government bonds plus 2 percentage points and the 10-year interest on Swedish government bonds plus 10 percentage points, then a proportional (linear) calculation of the award shall be made.

*Instruments granted under the PI-NA Plan:* In order for participants to be awarded the maximum number of instruments the compounded annual growth of the North American operating subsidiaries of PI must exceed the interest on 10-year US government bonds by more than 12 percentage points. If the applicable compounded annual growth is between the 10-year interest on US government bonds plus 4 percentage points and the 10-year interest on US government bonds plus 12 percentage points, then a proportional (linear) calculation of the award shall be made.

### **3. Costs**

The program will be accounted for in accordance with IFRS-2 which stipulates that the instruments should be recorded as a personnel expense in the income statement and the Grant Value is recognized during the relevant Vesting Period. The relevant instruments issued under the program result in an obligation that is valued at fair value and recognized as an expense with a corresponding increase in liabilities. The liability is revalued at fair value every closing and at final settlement. At exercise or settlement, the liability is paid. All changes in the fair value as a result of changes in the initial fair value of the instruments are recognized in the financial net with a corresponding change in liabilities.

In addition to what is set forth below, the estimated costs for the program following the full three-year Vesting Period have been based on the following assumptions: that the program comprises up to a maximum of 25 participants, that each participant makes a maximum personal investment, that PI employees employed in Sweden have 100 percent of their Grant Value in the PI-BS Plan and that PI employees employed in the US have 60 percent of their Grant Value in the PI-BS Plan and 40 percent in the PI-NA Plan, and that the aggregated Grant Value amounts to SEK 31 million.

Assuming an annual return of the fair market value of PI’s balance sheet that exceeds the interest on 10-year Swedish government bonds (here assumed to be 0 percent) by 2 percentage points, the maximum cost for the PI-BS Plan as defined in IFRS-2 is estimated at approximately SEK 9 million and the maximum social security cost is estimated at approximately SEK 0.9 million. Assuming an annual return on the fair market value of PI’s balance sheet that exceeds the interest on 10-year Swedish government bonds (here assumed to be 0 percent) by 6 percentage points, the maximum cost for the PI-BS Plan as defined in IFRS-2 is estimated at approximately SEK 29 million and the maximum social security cost is estimated at approximately SEK 2 million. Assuming an annual return on the fair market value of PI’s balance sheet that exceeds the interest on 10-year Swedish government bonds (here assumed to be 0 percent) by 10 percentage points, the maximum cost for the PI-BS Plan as defined in IFRS-2 is estimated at approximately SEK 58 million and the maximum social security cost is estimated at approximately SEK 4 million.

Assuming an annual return of the fair market value of the North American operating subsidiaries that exceeds the interest on 10-year US government bonds (here assumed to be 2 percent) by 4 percentage points, the maximum cost for the PI-NA Plan as defined in IFRS-2 is estimated at approximately SEK 5 million and the maximum social security cost is estimated at approximately SEK 0.1 million. Assuming an annual return of the fair market value of the North American operating subsidiaries that exceeds the interest on 10-year US government bonds (here assumed to be 2 percent) by 8 percentage points, the maximum cost for the PI-NA Plan as defined in IFRS-2 is estimated at approximately SEK 18 million and the maximum social security cost is estimated at approximately SEK

0.3 million. Assuming an annual return of the fair market value of the North American operating subsidiaries that exceeds the interest on 10-year US government bonds (here assumed to be 2 percent) by 12 percentage points, the maximum cost for the PI-NA Plan as defined in IFRS-2 is estimated at approximately SEK 35 million and the maximum social security cost is estimated at approximately SEK 0.6 million.

**4. Miscellaneous**

The program does not result in any share dilution. Further information regarding variable remuneration programs in Investor for previous years is provided in Investor's Annual Report and on the Company's website.

***With reference to the presentation above the Board of Directors proposes that the Annual General Meeting approves the scope and main guidelines for the PI long-term variable remuneration program.***

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Stockholm, March 2017

Investor AB (publ)  
The Board of Directors