

Note 9 Employees and personnel costs

Accounting policies

Accounting policies on employee benefits such as short-term benefits, termination benefits and share-based payment transactions are presented below. Post-employment benefits are presented in Note 26, Provisions for pensions and similar obligations.

Short-term benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related services is provided. A provision is made for the anticipated cost of bonus payments and profit-sharing contracts when the Group has a current obligation to make such payments (because services have been provided by employees) and when the obligation can be reliably estimated.

Termination benefits

The cost of termination benefits is recognized only if the company is demonstrably committed (without any realistic possibility of withdrawing the commitment) by a formal plan to prematurely terminate an employee's employment. When benefits are offered to encourage voluntary departure from the company, the cost is recognized if it is probable that the offer will be accepted and the number of employees accepting the offer can be reliably estimated.

Share-based payment transactions

Investor AB has issued equity-settled stock option and share programs and cash-settled (synthetic) shares.

Accounting for equity-settled programs

The fair value of stock options and share programs issued is determined at the grant date in accordance with the Black & Scholes valuation model, taking into consideration the terms and conditions that are related to the share price. The value is recognized as a personnel cost allocated over the vesting period, with a corresponding increase in equity. The recognized cost corresponds to the fair value of the estimated number of options and shares that are expected to vest. This cost is adjusted in subsequent periods to reflect the actual number of vested options and shares. However, no adjustment is made when options and shares expire only because share-price related conditions do not reach the level needed for the options to vest.

When equity-settled programs are exercised, shares are delivered to the employee. The delivered shares are treasury shares that were repurchased when the program was implemented. When exercised, the payment of the exercise price that was received from the employee is reported under equity.

Equity-settled programs issued to employees in Group companies In the Parent Company, the value of equity instruments, which is offered to employees of other companies belonging to the Group, is reported as a capital contribution to subsidiaries. The value of participations in subsidiaries increases simultaneously to the Parent Company's reporting of an increase in equity. The costs related to employees in companies concerned are invoiced to the subsidiaries. The cash settlement of the invoices then neutralizes the increase of participations in subsidiaries.

Accounting for cash-settled programs

Cash-settled (synthetic) shares result in an obligation that is valued at fair value and recognized as an expense with a corresponding increase in liabilities. Initial fair value is calculated and the grant value is recognized over the vesting period as a personnel cost, which is similar to the recognition of equity-settled programs. However, cash settled programs are revalued every balance sheet date and at final settlement. All changes in the fair value as a result of changes in share price are recognized in the financial net with a corresponding change in liabilities.

When cash-settled programs are exercised, the liability to the holder of the synthetic shares is settled.

Accounting for social security attributable to share-based payment transactions

Social security expenses attributable to share-based remuneration are recognized and amortized in accordance with the same policies as the costs for synthetic shares.

Average number of employees	2012		2011	
	Total	of which women	Total	of which women
<i>Group</i>				
Parent Company, Sweden	91	53	96	56
Sweden, excl. Parent Company	4,853	3,813	3,412	2,686
Europe excl. Sweden	4,499	3,201	4,009	2,820
North and South America	405	181	383	178
Asia	3,825	2,716	3,351	2,457
Australia	55	46	52	43
Total Group	13,728	10,010	11,303	8,240
Of which:				
<i>Investing activities</i>	95	54	121	65

Gender distribution in Boards and senior management

	2012		2011	
	Men	Women	Men	Women
<i>Gender distribution in percent</i>				
Board of the Parent Company	77	23	73	27
Management Group of the Parent Company	60	40	60	40
Boards in the Group	82	18	77	23
Management Groups in the Group	59	41	60	40

Guidelines for remuneration to members of the Management Group and other employees in investing activities

Investor's Remuneration Committee is appointed each year by the Board. The Committee's main purpose is "to enable an independent and thorough review of all aspects of Investor's total remuneration program and to make decisions about executive remuneration in the company". The Remuneration Committee submits a recommendation to the Board concerning the President and Chief Executives Officer's remuneration and decides on the remuneration for the other members of the Management Group.

Remuneration to the President and other members of the Management Group is based on the Guidelines adopted at the AGM.

"Top management" is defined as:

- the Chairman of the Board
- Board members not employed by the company
- the Management Group including the President and Chief Executive Officer

The Management Group consists of President Börje Ekholm, along with Susanne Ekblom, Johan Forssell, Petra Hedengran and Lennart Johansson.

Investor strives to offer a total remuneration that is competitive and in line with market conditions, thereby enabling it to attract (and retain) the right type of expertise to the company. The total remuneration should be based on factors such as position, performance and individual qualifications.

The total remuneration for the Management Group shall consist of:

- Basic salary
- Variable cash salary
- Long-term share-based remuneration
- Pension
- Other remuneration and benefits

Basic salary

Basic salary is reviewed annually for all Investor employees. Basic salary constitutes the basis for calculating variable salary.

Variable cash salary

Investor's employees have variable cash salary. The variable portion of salary in 2012 differs between business areas and for the President, it amounts to a maximum of 10 percent of basic salary. For other employees, the maximum variable salary ranges between 10 and 80 percent of their basic salary, although for a very limited number of key personnel, the variable portion of salary can be a maximum of 100 percent of their basic salary. The President may award additional variable salary to company employees who he feels have made an exceptional contribution during the year. However, any such additional variable salary must be approved by Investor's Remuneration Committee.

Note 9, cont'd Employees and personnel costs

The established goals must also be reached in order to receive the variable salary. Goals are reviewed at the end of the year. The focus of the President's goals for the year is determined through a dialog between the President and the Chairman of the Board. The goals for the President are proposed by the Remuneration Committee and later approved by the Board. Goals for other employees are established by each employee's manager.

Long-term share-based remuneration

For long-term variable remuneration programs, it is the Board's ambition to create a structure that results in employee commitment and is based on the long-term development of Investor. As a result, part of remuneration to employees is related to the long-term performance of Investor and the Investor share, which exposes the employee to both increases and decreases of the share price. In 2006, a Stock Matching Plan was introduced for all Investor employees, as well as a performance based share program for Senior Management. "Senior Management" is defined as the President, other members of the Management Group and a maximum of 20 other senior executives. The programs for 2007-2012 correspond in all material aspects to the program for 2006. The employee is required to invest his or her own funds in order to participate in the program. For more details regarding the programs, see the section Long-term share-based remuneration – program descriptions, page 69.

Pension

The pension for the President and Management Group has two components:

- A pension plan based on premiums in accordance with the BTP plan (Swedish pension plan for the banking sector) on parts of salary up to 30 basic income amounts (SEK 1,638 t.) and the option to choose BTP's alternative special pension plan for managers with an annual salary above 10 basic income amounts.
- A pension plan based on special pension regulations ("Särskilt Pensionsreglemente") on parts above 20 basic income amounts. The amount of the pension provision depends on age and is 25 percent until the age of 40, 30 percent between the ages of 41 and 50 and 35 percent for those who are over the age of 50. Only basic salary is used to establish the annual pension premium. The retirement age is 60 years for the President and Management Group.

Other remuneration and benefits

Profit-sharing program for the trading operation

Since 2011, a limited profit-sharing program has been in place that replaced two prior programs, (see the Annual Report 2011 for details). The new program includes participants both from the trading organization and the

investment organization for Core Investments and Financial Investments. The participants in this program receive a variable salary equivalent to 20 percent of the trading function's net result. The program includes a clawback principle by which 50 percent of the variable salary allotment is withheld for one year and will only be paid out in full if the trading result for that year is positive. In order to receive full allotment, two consecutive profitable years are thus required. Approximately 15-20 employees in total participate in the program, including the Management Group Member responsible for Core Investments. During 2012, SEK 791 t. in total has been paid out from this program.

Severance pay

A mutual six-month term of notice applies between the President and the Company. If the Company terminates employment, the President will receive severance pay corresponding to 12 months of basic salary. If no new employment has been obtained after one year, the President is entitled to a maximum of 12 months' additional severance pay. The terms and conditions regarding notice and severance pay for other members of the Management Group are the same, provided that the employment contract for that person was entered into before the 2010 Annual General Meeting. If the employment contract was entered into subsequent to the 2010 Annual General Meeting, then the fixed cash salary during the notice period plus the severance pay may not exceed two years' fixed cash salary.

Fees received for Board work

For many years, Investor has allowed employees to keep any fees that they have received for work done on the Boards of the Company's Core Investments. One reason for allowing this practice is that the employee assumes personal responsibility by having a Board position. Fees received for Board work are taken into account by Investor when determining the employee's total remuneration.

Other benefits

Investor offers Management Group Members and other employees a variety of non-monetary benefits, including corporate health service, health insurance, subsidized lunches, employee fitness programs and the possibility to rent vacation homes. Managers and employees with young children are also offered in-home services in the form of cleaning and babysitting.

Remuneration and benefits 2008-2012 to Börje Ekholm, President and Chief Executive Officer (SEK t.)

Year	Basic salary	Vacation re- muneration	Variable salary for the year	Total salary cash	Change of vacation pay liability	Pension premiums	Benefits ¹⁾	Long-term share- based remuneration value at grant date ²⁾	Total	Own investment in long-term share based remuneration	Own investment, % of basic salary pre-tax
2012	7,250	105	645	8,000	223	2,605	1,319	8,338	20,485	3,319	45.8
2011	7,000	102	630	7,732	140	2,415 ³⁾	1,092	8,050	19,429	2,921	41.7
2010	7,000	102	–	7,102	440	2,515	1,105	8,050	19,212	3,033	43.3
2009	7,500	94	1,356	8,950	450	2,671	805	6,000	18,876	2,310	30.8
2008	7,500	94	2,706	10,300	660	2,627	750	4,500	18,837	1,600	21.3

1) During 2012 no options were exercised. The value of benefits of exercised options during 2011, granted in 2005, amounted to SEK 721 t.

2) Theoretical value of share-based payments granted each respective year.

3) The amount presented in the Annual Report 2011 has been corrected.

Note 9, cont'd Employees and personnel costs

Expensed remunerations

The amounts in the table below are calculated according to the accruals concept, in which the terms basic salary and variable salary refer to expensed amounts, including any changes to the reserve for variable salary, vacation pay provisions, etc. Variable salary refers to the approved variable salary for the current financial year, unless specified otherwise.

Remuneration to the President and other members of the Management Group

Total remuneration for 2012 (SEK t.)	Basic salary	Vacation remuneration	Change of vacation pay liability	Variable salary for the year	Cost of long-term share-based remuneration ¹⁾	Total	Pension costs ²⁾	Other remuneration and benefits	Total expensed remuneration
President and CEO	7,250	105	223	645	9,417	17,640	2,605	1,319	21,564
Management Group, excl. the President	13,200	191	356	6,157	7,052	26,956	6,569	494	34,019
Total³⁾	20,450	296	579	6,802	16,469	44,596	9,174	1,813	55,583
Total remuneration for 2011 (SEK t.)	Basic salary	Vacation remuneration	Change of vacation pay liability	Variable salary for the year	Cost of long-term share-based remuneration ¹⁾	Total	Pension costs ²⁾	Other remuneration and benefits	Total expensed remuneration
President and CEO	7,000	102	140	630	8,434	16,306	2,415 ⁴⁾	1,092	19,813
Management Group, excl. the President ⁵⁾	18,511	165	-465	7,529	8,834	34,574	9,946	610	45,130
Former Presidents								663	663
Total³⁾	25,511	267	-325	8,159	17,268	50,880	12,361	2,365	65,606

1) There is a deviation from the value at grant date according to the table on page 67 because the cost in the table above is calculated based on the principles in IFRS 2 and allocated over the vesting period. The calculation of the cost in the table above is adjusted for the actual outcome of allotted performance shares, whereas in the table on page 67 the value is based on an assumed allotment.

2) There are no outstanding pension commitments for the Management Group.

3) Of which expensed in subsidiaries; basic salary SEK 1,009 t. (3,437), variable salary SEK - t. (1,871), pension SEK 37 t. (195), as well as other remuneration and benefits SEK 571 t. (450).

4) The amount presented in the Annual Report 2011 has been corrected.

5) Johan Forsell, Petra Hedengran, Lennart Johansson, Johan Bygge until 5/18 2011, Stephen Campe until 6/30 2011 and Susanne Ekblom since 8/15 2011.

Expensed remuneration from the profit-sharing programs for the trading operation to members of the Management Group totaled SEK 36 t. for the year (46). These remunerations are in addition to the amounts presented in the table above.

Total remuneration - expensed wages, salaries, Board of Directors fees and other remuneration, as well as social security contributions

Total remuneration (SEK m.)	2012							2011						
	Basic salary ¹⁾	Variable salary	Long-term share-based remuneration	Pension cost	Cost for employee benefits	Social security contributions	Total	Fixed basic salary ¹⁾	Variable salary	Long-term share-based remuneration	Pension cost	Cost for employee benefits	Social security contributions	Total
Group														
Parent Company	82	20	35	26	15	77	255	89	21	25	30	16	43	224
Subsidiaries	4,401	309	3	363	105	1,014	6,195	3,562	280	2	294	108	811	5,057
Total	4,483	329	38	389	120	1,091²⁾	6,450	3,651	301	27	324	124	854²⁾	5,281
Of which:														
<i>Investing activities</i>	88	21	36	29	15	79	268	116	39	25	39	17	57	293

1) Includes vacation remuneration and change of vacation pay liability.

2) Of which SEK 39 m. refers to social security contribution for long-term share-based remuneration (1).

Expensed wages and remuneration distributed between senior executives, Presidents and Boards in subsidiaries and other employees

Remuneration (SEK m.)	2012				2011					
	Salary senior executives, Presidents and Boards in subsidiaries ^{1,2)}	of which variable salary ¹⁾	Other employees	Total	Salary senior executives, Presidents and Boards in subsidiaries ^{1,2)}	of which variable salary ¹⁾	Other employees	Total		
Group										
Parent Company		35	7	67	102		44	11	66	110
Subsidiaries		44	12	4,666	4,710		38	10	3,804	3,842
Total		79	19	4,733	4,812		82	21	3,870	3,952
Of which:										
<i>Investing activities</i>		35	7	74	109		55	15	238	293

1) The number of people in the Parent Company is 17 (15) and in subsidiaries 26 (29).

2) Pension costs relating to senior executives, Presidents and Boards in subsidiaries amount to SEK 14 m. and are in addition to the amounts presented in the table.

Note 9, cont'd Employees and personnel costs

Long-term share-based remuneration – program descriptions

Through the long-term variable remuneration programs, part of the remuneration to employees becomes linked to the long-term performance of the Investor share.

2006–2012

The programs consist of the following two components:

1) Stock Matching Plan in which all employees may participate

Through the Stock Matching Plan, an employee could acquire or commit shares in Investor at the market price during a period (determined by the Board) subsequent to the release of Investor's first quarterly report for each year, respectively (the "Measurement Period"). After a three-year vesting period, two options (Matching Options) are granted for each Investor share acquired or committed by the employee, as well as a right to acquire one Investor share (Matching Share) for SEK 10. The Matching Share may be acquired during a four-year period subsequent to the vesting period. Each Matching Option entitles the holder to purchase one Investor share, during the corresponding period, at a strike price corresponding to 120 percent of the average volume-weighted price paid for Investor shares during the Measurement Period.

The President, other members of the Management Group and a maximum of 20 other senior executives ("Senior Management") are obligated to invest at least 5 percent of their basic salary in Investor shares according to the Stock Matching Plan. Other employees are not obligated to invest, but they are still entitled to invest to the extent that the value of the allotted Matching Options and Matching Shares amounts to a maximum of between 10 and 15 percent of their basic salary. Senior Management has the right to invest to such an extent that the value of the allotted Matching Options and Matching Shares amounts to maximum between 10 and 38 percent of their respective basic salary. In order to participate fully in the Stock Matching Plan for 2012, the President had to invest or commit approximately 46 percent of his basic salary in Investor shares. If the President, through the investment mentioned above, participates fully in the Stock Matching Plan, the theoretical value of the right to receive a Matching Share and two Matching Options per acquired share under the Stock Matching Plan is 38 percent of the basic salary. For these programs, the President is entitled to exercise Matching Shares and Matching Options during a period of 12 months from the earlier of (i) seven years (10 years for 2006 and 2007 year's programs) from the date of allocation and (ii) two months from the expiry of the year during which the President terminates his employment.

2) Performance-Based Share Program, in which Senior management participates in addition to the Stock Matching Plan

Senior management has, in addition to the Stock Matching Plan, the right (and obligation) to participate in a Performance-Based Share Program. Under this program, which presumes participation in the Stock Matching Plan, Senior management, after a three-year vesting period, has the right during four years to acquire additional Investor shares ("Performance Shares") for a price that corresponds to, in 2012 year's program, 50 percent of the price of the shares acquired by the employee ("Acquisition Price"). This right is conditional upon whether certain financial goals related to the total return of the Investor share are met during the vesting period. The Performance-Based Share Program for 2012 is basically the same as it was during 2009-2011.

Total return is measured over a three-year qualification period. The average annual total return (including reinvested dividends) must exceed the interest on 10-year government bonds by more than 10 percentage points in order for Senior management to be entitled to acquire the maximum number of Performance Shares that they were allotted. If the total return does not exceed the 10-year interest on government bonds by at least 2 percentage points, then Senior management is not entitled to acquire any shares. If the total return is between the 10-year interest on government bonds plus 2 percentage points and the 10-year interest on government bonds plus 10 percentage points, then a proportional (linear) calculation of the number of shares that may be acquired is made. In 2012 year's program, the total return is measured quarterly on running 12-month basis during the qualification period, where the total outcome is estimated as the average total return during the three-year period based on 9 measurement points.

For these programs, the President is entitled to exercise Performance Shares during a period of 12 months from the earlier of (i) seven years (ten years for 2006 and 2007 year's programs) from the date of allocation and (ii) two months from the expiry of the year during which the President terminates his employment.

Adjustment for dividend

At the time when Matching Shares and Performance Shares are acquired, employees are entitled to remuneration for dividends paid during the vesting period and up until the acquisition date. This is done so that the program will not be affected by dividends and to avoid the risk that a decision on dividends is affected by the long-term variable remuneration program.

Hedge contracts for employee stock option and share programs

Investor's policy is to implement measures to minimize the effects on equity from the programs in the event of an increase in Investor's share price. For programs implemented in 2006 and later, Investor has been repurchasing its own shares in order to guarantee delivery.

Summary of terms for the 2006-2012 long-term variable remuneration programs

Matching Shares 2006-2012

Year issued	Number of Matching Shares granted	Number at the beginning of the year	Adjustment for dividend	Matching Shares forfeited in 2012	Matching Shares exercised in 2012	Weighted average share price on exercise	Number of Matching Shares at year-end	Theoretical value ¹⁾	Fair value ²⁾	Strike price, SEK	Maturity date	Vesting period (years) ³⁾
2006	95,497	57,405	2,056	1,805	46,435	154.59	11,221	109.19	121.34	10.00	12/31 2012	3
2007	70,194	48,210	2,140	3,096	17,474	153.99	29,780	150.91	168.48	10.00	12/31 2013	3
2008	88,075	68,998	2,840	5,201	26,370	150.54	40,267	116.71	130.40	10.00	12/31 2014	3
2009	134,540	123,104	4,452	5,535	56,183	150.63	65,838	97.64	109.01	10.00	12/31 2015	3
2010	124,543	113,235	5,198	6,092	5,653	148.94	106,688 ⁴⁾	114.91	128.33	10.00	12/31 2016	3
2011	88,959	88,125	4,601	3,333	1,363	155.73	88,030 ⁴⁾	127.15	141.66	10.00	12/31 2017	3
2012	120,160	0	–	1,331	193	164.10	118,636 ⁴⁾	109.60	122.17	10.00	12/31 2018	3
Total	721,968	499,077	21,287	26,393	153,671		460,460					

1) The value of Matching Shares on the grant date was based on a theoretical value calculated in accordance with the Black & Scholes valuation model.

2) The fair value on the grant date was calculated in accordance with IFRS 2, which was also used for calculating recognized values. See page 70 for specification of the basis of calculation.

3) Under certain circumstances, in conjunction with the end of employment, Matching Shares can be exercised before the end of the vesting period. Matching Shares that have already vested must be exercised within three months from the date employment was terminated if the holder has been employed less than four years. If the holder has been employed more than four years the Matching Shares must be exercised within 12 months.

4) Matching Shares not available for exercise at year-end.

Note 9, cont'd Employees and personnel costs

Matching Options 2006-2012

Year issued	Number of Matching Options granted	Number at the beginning of the year	Matching Options forfeited in 2012	Number of Matching Options exercised in 2012	Weighted average share price on exercise	Number of Matching Options at year-end	Theoretical value ¹⁾	Fair value ²⁾	Strike price, SEK	Maturity date	Vesting period (year) ³⁾
2006	190,994	144,782	21,996	104,802	163.42	17,984	15.62	12.47	155.90	12/31 2012	3
2007	140,388	112,558	16,678	–	–	95,880	22.80	18.84	212.00	12/31 2013	3
2008	176,150	155,238	25,476	598	169.10	129,164	16.41	18.98	166.20	12/31 2014	3
2009	269,080	240,439	20,603	69,454	154.56	150,382	14.52	16.68	141.50	12/31 2015	3
2010	249,086	223,730	21,883	1,072	167.19	200,775 ⁴⁾	17.44	19.73	164.60	12/31 2016	3
2011	177,918	177,120	7,002	–	–	170,118 ⁴⁾	19.78	22.82	180.30	12/31 2017	3
2012	240,320	–	2,663	–	–	237,657 ⁴⁾	14.70	16.87	157.80	12/31 2018	3
Total	1,443,936	1,053,867	116,301	175,926		1,001,960					

1) The value of Matching Options on the grant date was based on a theoretical value calculated in accordance with the Black & Scholes valuation model.

2) The fair value on the grant date was calculated in accordance with IFRS 2, which was also used for calculating recognized values. See below for specification of the basis of calculation.

3) Under certain circumstances, in conjunction with the end of employment, Matching Option can be exercised before the end of the vesting period. Matching Options that have already vested must be exercised within three months from the date employment was terminated if the holder has been employed less than four years. If the holder has been employed more than four years the Matching Options must be exercised within 12 months.

4) Matching Options not available for exercise at year-end.

Performance Shares 2006-2012

Year issued	Maximum number of Performance Shares granted	Number at the beginning of the year	Adjustment for dividend	Performance Shares, forfeited 2012	Performance Shares exercised 2012	Weighted average share price on exercise	Number of Performance Shares at year-end	Theoretical value ¹⁾	Fair value ²⁾	Strike price	Maturity date	Vesting period (years)
2006	63,315	27,396	899	537	19,733	151.77	8,025	52.35	57.03	10.00	12/31 2012	3
2007	48,973	17,747	832	–	3,020	159.89	15,559	77.78	82.55	10.00	12/31 2013	3
2008	94,166	37,970	2,735	157	9,681	148.59	30,867	38.18	42.98	69.29	12/31 2014	3
2009	870,373	904,223	38,903	11,802	265,217	155.17	666,107	15.45	17.26	105.93	12/31 2015	3
2010	799,197	805,431	36,863	454	–	–	841,840 ³⁾	18.34	20.34	126.92	12/31 2016	3
2011	663,784	663,784	30,378	–	–	–	694,162 ³⁾	20.56	23.14	143.74	12/31 2017	3
2012	457,517	–	–	–	–	–	457,517 ³⁾	32.69	36.41	65.79	12/31 2018	3
Total	2,997,325	2,456,551	110,610	12,950	297,651		2,714,077					

1) The value of Performance Shares on the grant date was based on a theoretical value calculated in accordance with the Black & Scholes valuation model.

2) The fair value on the grant date was calculated in accordance with IFRS 2, which was also used for calculating recognized values. See below for specification of the basis of calculation.

3) Performance Shares not available for exercise at year-end.

The calculation of the fair value on the grant date, according to IFRS 2, was based on the following conditions:

	2012			2011		
	Matching Share	Matching Option	Performance Share	Matching Share	Matching Option	Performance Share
Averaged volume-weighted price paid for Investor B shares	131.58	131.58	131.58	150.32	150.32	150.32
Strike price	10.00	157.8	65.79	10.00	180.30	150.32
Assumed volatility ¹⁾	30%	30%	30%	30%	30%	30%
Assumed average term ²⁾	5 year	5 year	5 year	5 year	5 year	5 year
Assumed percentage of dividend ³⁾	0%	4.00%	0%	0%	3.84%	0%
Risk-free interest	1.21%	1.21%	1.21%	2.88%	2.88%	2.88%
Expected outcome ⁴⁾			50%			50%

1) The assumed volatility was based on future forecasts based on the historical volatility of Investor B shares, in which the term of the instrument is an influencing factor. The historical volatility has been in the interval of 15 to 30 percent.

2) The assumption of average term for the instruments at grant is based on historical exercise patterns and the actual term of the instruments within each remuneration program.

3) The dividend for Matching Shares and Performance Shares is compensated for by increasing the number of shares.

4) Probability to achieve the performance criteria is calculated based on historic data and verified externally.

The difference between the theoretical value and fair value is mainly due to the fact that the anticipated personnel turnover is taken into consideration when determining the theoretical value. When estimating the fair value in

accordance with IFRS 2, personnel turnover is not taken into account; instead the anticipated number of vested shares or options is adjusted. The adjustment is based on average historical outcome.

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Summary of Long-term Restricted Stock Programs 2004–2005

Year issued	Number of granted Shares	Number at the beginning of the year	Fair value ¹⁾	Number of Shares exercised 2012	Number of Shares at year-end	Maturity date ²⁾	Vesting period (years)
2004	74,000	3,200	77.00	–	3,200	1/20 2009	5
2005	58,331	9,612	97.04	–	9,612	1/21 2010	5
Total	132,331	12,812		–	12,812		

1) The fair value on the grant date was calculated in accordance with IFRS 2, which was also used for calculating recognized values.

2) The President is entitled to exercise the Shares during a period twelve months from the earlier of (i) ten years from the date of allocation and (ii) two months from the expiry of the year during which the President terminates his employment.

Summary of the Long-term Employee Stock Option Program 2005

Year issued	Number of Options granted	Number of Options at the beginning of the year	Options exercised 2012	Weighted average share price on exercise	Options expired 2012	Number of Options at year-end	Theoretical value ¹⁾	Fair value ²⁾	Strike price	Maturity date	Vesting period (years)
2005	1,008,469	6,550	6,550	136.57	–	–	19.00	15.20	106.70	1/20 2012	3
Total	1,008,469	6,550	6,550		–	–					

1) The value of options on the grant date was based on a theoretical value calculated in accordance with the Black & Scholes valuation model. The volatility parameter has been adjusted to take into account the special limitations to disposal rights that are valid for long-term employee stock option programs.

2) The fair value of Options on the grant date was calculated in accordance with IFRS 2, which was also used for calculating recognized values.

Accounting effects of share-based payment transactions

(SEK m.)	2012	2011
<i>Group</i>		
<i>Costs relating to share-based payment transactions</i>		
Costs relating to equity-settled share-based payment transactions	32	30
Costs relating to cash-settled share-based payment transactions	7	2
Social security and other costs relating to share-based payment transactions	39	1
Total	78	33

(SEK m.)	2012	2011
<i>Parent Company</i>		
<i>Costs relating to Share-based payment transactions</i>		
Costs relating to equity-settled share-based payment transactions	28	27
Costs relating to cash-settled share-based payment transactions	7	2
Social security and other costs relating to share-based payment transactions	38	2
Total	73	31

(SEK m.)	2012	2011
<i>Group and Parent Company</i>		
Effect on equity relating to Stock-Options exercised by employees	25	–19
Carrying amount of liability relating to cash-settled instruments	13	9
Effect on net financial items relating to share-based payment transactions	2	–18
Weighted average price in outstanding hedging contracts	–	127.52

Remuneration to the Board of the Parent Company

At the 2012 Annual General Meeting (AGM), it was decided that Board remuneration should total SEK 8,728 t., of which 7,744 t. would be in the form of cash and synthetic shares and SEK 984 t. would be distributed as cash remuneration for committee work done by the Board of Directors. Expensed remuneration paid to former members of the Board during the year amounted to SEK 300 t. (1,200). At year-end, total outstanding pension commitments including payroll tax for former members of the Board amounted to SEK 142,525 t. (147,892), of which SEK 86,011 t. pertained to Peter Wallenberg (90,977). Remuneration to Peter Wallenberg of SEK 15,367 t. was paid out during the year (15,367).

Synthetic shares 2008-2012

As of 2008, Board members may choose to receive a part of their gross remuneration, excluding committee fees, in synthetic shares. AGM's decision regarding synthetic shares 2012 is essentially identical to the decision of the AGM 2011. In 2012, Board Members were entitled to elect to receive 50 percent of the proposed remuneration before tax, excluding remuneration for committee work, in the form of synthetic shares and 50 percent in cash (instead of receiving 100 percent of the remuneration in cash). A synthetic share carries the same economic rights as a class B Investor share, which means that the value of the Board of Director's remuneration in synthetic shares, just like for class B shares, is dependent upon value fluctuations as well as the amount of dividends during the five-year period until 2017, when each synthetic share entitles the Board member to receive an amount corresponding to the share price, at the time, of a class B Investor share.

At the statutory meeting in April 2012, the Board approved establishment of a policy pursuant to which members of the Board (who do not already have such holdings) are expected to, over a five-year period, acquire ownership in Investor shares (or a corresponding exposure to the Investor share, for example in synthetic shares) for a market value that is expected to correspond to at least one year's remuneration for board work, before taxes and excluding remuneration for committee work.

The Director's right to receive payment occurs after the publications of the year-end report and the three interim reports, respectively, during the fifth year following the general meeting which resolved on the allocation of the Synthetic Shares, with 25 percent of the allocated Synthetic Shares on each occasion. In case the Director resigns as Board Member prior to a payment date the Director has a right, within three months after the Director's resignation, to request that the time of payment shall be brought forward, and instead shall occur, in relation to 25 percent of the total number of allocated Synthetic Shares, after the publications of each of the year-end report and the three interim reports, respectively, which are made during the year after the year when such request was received by the Company.

Note 9, cont'd Employees and personnel costs

Expensed remuneration to the Board

Total remuneration for 2012 (SEK t.)	Cash	Value of Synthetic Shares as at grant date	Commit-tee fee	Total Board fee as at grant date	Effect from change in market value of previous years Synthetic Shares	Effect from change in market value of Synthetic Shares issued 2012	Total fee, actual cost	Number of Synthetic Shares at the beginning of the year	Number of Synthetic Shares granted 2012 ¹⁾	Adjust-ment for dividend	Number of Synthetic Shares on December 31, 2012
Jacob Wallenberg	984	984	328	2,296	1,459	273	4,028	29,683	7,412	1,342	38,437
Anders Scharp ²⁾	–	–	–	–	101	–	101	2,040	–	92	2,132
Gunnar Brock ³⁾	263	262	66	591	290	74	955	5,875	1,977	265	8,117
Sune Carlsson	262	263	197	722	391	74	1,187	7,915	1,977	357	10,249
Börje Ekholm	–	–	–	–	–	–	–	–	–	–	–
Tom Johnstone	263	262	–	525	178	74	777	3,611	1,977	163	5,751
Carola Lemne	262	263	–	525	178	74	777	3,611	1,977	163	5,751
Grace Reksten Skaugen	525	–	131	656	–	–	656	–	–	–	–
O. Griffith Sexton	525	–	66	591	–	–	591	–	–	–	–
Dr. Josef Ackermann ⁴⁾	230	229	–	459	–	64	523	–	1,729	–	1,729
Marcus Wallenberg ⁵⁾	525	–	–	525	–	–	525	–	–	–	–
Lena Treschow Torell	263	263	66	591	391	74	1,056	7,915	1,977	357	10,249
Hans Stråberg	263	263	–	525	85	74	684	1,725	1,977	78	3,780
Peter Wallenberg Jr. ³⁾	263	263	131	656	391	74	1,121	7,915	1,977	357	10,249
Totalt	4,627	3,051	985	8,662	3,464	855	12,981	70,290	22,980	3,174	96,444

1) Based on weighted average stock price for Investor B in the period April 25 to May 5, 2012: SEK 132.81.

2) Member of the board until 3/31 2009.

3) Additional remunerations of SEK 956 t. to Gunnar Brock and SEK 250 t. to Peter Wallenberg Jr. have been expensed in the subsidiaries.

4) Member of the board as of 6/1 2012.

5) Member of the board as of 4/17 2012.

Total remuneration for 2011 (SEK t.)	Cash	Value of Synthetic Shares as at grant date	Commit-tee fee	Total Board fee as at grant date	Effect from change in market value of previous years Synthetic Shares	Effect from change in market value of Synthetic Shares issued 2011	Effect from exercised 2011	Total fee, actual cost	Number of Synthetic Shares at the beginning of the year	Number of Synthetic Shares granted 2011 ¹⁾	Adjust-ment for dividend	Exercised Synthetic Shares, 2011	Number of Synthetic Shares on December 31, 2011
Jacob Wallenberg	937	938	312	2,187	–249	–104	–	1,834	22,441	6,468	774	–	29,683
Anders Scharp ²⁾	–	–	–	–	–23	–	–	–23	1,972	–	68	–	2,040
Gunnar Brock ³⁾	250	250	63	563	–44	–29	–	490	4,012	1,725	138	–	5,875
Sune Carlsson	250	250	187	687	–66	–29	–	592	5,984	1,725	206	–	7,915
Börje Ekholm	–	–	–	–	–	–	–	–	–	–	–	–	–
Sirkka Hämäläinen ⁴⁾	–	–	–	–	–	–	–	–	–	–	–	–	–
Tom Johnstone	250	250	–	500	–20	–29	–	451	1,823	1,725	63	–	3,611
Carola Lemne	250	250	–	500	–20	–29	–	451	1,823	1,725	63	–	3,611
Håkan Mogren ⁵⁾	–	–	–	–	–34	–	–10	–44	3,066	–	106	–3,172	–
Grace Reksten Skaugen	500	–	125	625	–	–	–	625	–	–	–	–	–
O. Griffith Sexton	500	–	63	563	–	–	–	563	–	–	–	–	–
Lena Treschow Torell	250	250	63	563	–66	–29	–	468	5,984	1,725	206	–	7,915
Hans Stråberg ⁶⁾	250	250	–	500	–	–29	–	471	–	1,725	–	–	1,725
Peter Wallenberg Jr. ³⁾	250	250	125	625	–66	–29	–	530	5,984	1,725	206	–	7,915
Totalt	3,687	2,688	938	7,313	–588	–307	–10	6,408	53,089	18,543	1,830	–3,172	70,290

1) Based on a weighted average stock price for Investor B in the period April 14 to April 20, 2011: SEK 144.95.

2) Member of the board until 3/31 2009.

3) Additional remunerations of SEK 994 t. to Gunnar Brock and SEK 250 t. to Peter Wallenberg Jr. have been expensed in the subsidiaries.

4) Member of the board until 4/12 2011.

5) Member of the board until 4/14 2010.

6) Member of the board as of 4/12 2011.

Other

Participation program in Investor Growth Capital

Within Investor Growth Capital (IGC), selected senior staff and other senior executives are, to a certain extent, allowed to make parallel investments with Investor, or else receive profit-sharing. The programs are linked to realized growth in the value of the holdings, after having deducted costs and any unrealized decline in value, which are viewed as a portfolio. The maximum share that can be credited to program participants is 16 percent, which is in line with practice in the venture capital market.

During the year, a total of SEK 94 m. was paid out from these programs (35). The provision (not paid out) on unrealized gains amounted to SEK 445 m. at year-end (340). Expensed amounts were reported in the item "Changes in Value" in the Income Statement.

Due to the restructuring of IGC during 2011, a handful of employees have

exchanged their participation in IGC's main program for parallel investments/profit-sharing for participation in a profit sharing program that is better adapted to reflect the decision to restructure IGC. The new program is linked to the realized proceeds of holdings in excess of a pre-defined threshold that was established in relation to the holding's market value. The total maximum share that can be credited to program participants is 10 percent of the proceeds above the threshold.

Participation program in Core Investments - subsidiaries

Board members and senior executives in Mölnlycke Health Care and Aleris, are offered the opportunity to invest in the companies through management participation programs. The terms of the programs are based on market valuations and are designed to yield lower returns to the participants than what owners receive if the investment plan is not achieved. Conversely, the participants obtain a higher return than the owners if the plan's targets are exceeded. Board members employed by Investor AB may not invest in these programs.