

## Note 10. 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 25, 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 are provided. A provision is made for the anticipated cost of variable cash salary 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.

### Share-based payment transactions

Within the Investor Group both equity-settled and cash-settled stock option and share programs and cash-settled (synthetic) shares have been issued.

### 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 in the income statement 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 are repurchased when needed. When exercised, the payment of the exercise price that was received from the employee is reported as an increase in 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 stock option and share programs and 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 at fair value every balance sheet date and at final settlement. All changes in the fair value as a result of changes in share price or fair value of the underlying instruments 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 accrued in accordance with the same principles as the costs for synthetic shares.

### Guidelines for salary and other remuneration for the President and other Members of the Extended Management Group

The AGM 2018 decided on guidelines for salary and other remuneration for the President and other Members of the Extended Management Group. The Board of Directors may, where particular grounds exist in the individual case, decide to deviate from the 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 Extended 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 Extended 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 Extended 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 2017.

The total short-term variable cash salary before tax for all current Members of the Extended Management Group can vary between SEK 0 and SEK 16.0 million during 2018, depending on whether the goals have been met. The short-term variable cash salary might exceed this amount in the event that the Extended 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 on page 71-72.

### 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 Extended 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 Extended 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 Extended 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 Extended 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.

### Fees received for Board work

Investor allows Extended Management Group members to keep any fees that they have received for work done on the boards of the company's Listed 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.

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### Average number of employees in the Group

	2018		2017	
	Total	Of which women	Total	Of which women
Parent Company, Sweden	73	39	71	37
Sweden, excl. Parent Company	6,184	4,573	6,206	4,719
Europe excl. Sweden	7,211	4,713	6,931	4,737
North- and South America	4,002	1,441	3,147	1,090
Africa	3	3	6	5
Asia	3,540	2,508	3,549	2,524
Australia	150	83	144	69
<b>Total Group</b>	<b>21,162</b>	<b>13,361</b>	<b>20,054</b>	<b>13,181</b>

### Gender distribution in Boards and Senior management

	2018		2017	
	Men	Women	Men	Women
<i>Gender distribution in percent</i>				
Board of the Parent Company	64	36	64	36
Extended Management Group of the Parent Company incl. the President	50	50	57	43
Boards in the Group <sup>1)</sup>	76	24	74	26
Management Groups in the Group	67	33	63	37

1) Based on all Group companies including small, internal companies with minor activity.

### Remunerations and benefits to Johan Forssell, President and Chief Executive Officer (SEK t.)

Year	Basic salary	Vacation remuneration	Variable salary for the year	Total cash salary	Change of vacation pay liability	Pension premiums	Benefits	Long-term share-based remuneration value at grant date	Total	Own investment in long-term share based remuneration	Own investment, % of CEO basic salary pre-tax
2018	8,026	390	2,167	10,583	124	2,976	167	6,420	20,269	2,646	33.0
2017	7,600	253	2,052	9,905	217	2,845	178	6,080	19,226	2,472	32.5

### 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.

### Expensed remunerations to the President and other members of the Extended Management Group in the Parent Company

Total remunerations 2018 (SEK t.)	Basic salary	Vacation remuneration	Change of vacation pay liability	Variable salary for the year	Cost of long-term share-based remuneration <sup>1)</sup>	Total	Pension costs <sup>2)</sup>	Other remuneration and benefits	Total expensed remuneration
President and CEO	8,026	390	124	2,167	7,261	17,968	2,976	167	21,111
Extended Management Group, excl. the President <sup>3)</sup>	23,869	471	-395	11,433	17,348	52,725	7,203	1,233	61,161
<b>Total</b>	<b>31,894</b>	<b>861</b>	<b>-271</b>	<b>13,600</b>	<b>24,609</b>	<b>70,693</b>	<b>10,179</b>	<b>1,400</b>	<b>82,271</b>
Total remunerations 2017 (SEK t.)									
President and CEO	7,600	253	217	2,052	6,388	16,511	2,845	178	19,534
Extended Management Group, excl. the President <sup>3)</sup>	21,991	345	465	10,753	12,250	45,805	7,106	2,438	55,348
<b>Total</b>	<b>29,591</b>	<b>598</b>	<b>682</b>	<b>12,805</b>	<b>18,639</b>	<b>62,315</b>	<b>9,951</b>	<b>2,616</b>	<b>74,882</b>

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

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

3) From 2017 Investor has established an Extended Management Group including the two Co-heads of Patricia Industries and the Head of Human Resources.

### Total remuneration – expensed salaries, Board of Directors fees and other remuneration and social security costs

	2018							2017						
	Basic salary <sup>1)</sup>	Variable salary	Long-term share-based remuneration	Pension cost	Cost for employee benefits	Social security contributions	Total	Basic salary <sup>1)</sup>	Variable salary	Long-term share-based remuneration	Pension cost	Cost for employee benefits	Social security contributions	Total
Parent Company	86	22	30	24	12	49	224	82	18	30	25	12	46	213
Subsidiaries	9,760	702	65	734	429	1,804	13,494	8,446	477	39	679	339	1,613	11,593
<b>Total</b>	<b>9,846</b>	<b>724</b>	<b>95</b>	<b>758</b>	<b>441</b>	<b>1,853<sup>2)</sup></b>	<b>13,718</b>	<b>8,528</b>	<b>495</b>	<b>70</b>	<b>704</b>	<b>351</b>	<b>1,659<sup>2)</sup></b>	<b>11,806</b>

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

2) Of which SEK 17 m. refers to social security contribution for long-term share-based remuneration (23).

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

Remuneration (SEK m.), Group	2018				2017			
	Salary Senior executives Presidents and Boards in subsidiaries <sup>1, 2)</sup>	Of which variable salary <sup>1)</sup>	Other employees	Total	Salary Senior executives Presidents and Boards in subsidiaries <sup>1, 2)</sup>	Of which variable salary <sup>1)</sup>	Other employees	Total
Parent Company	41	8	68	108	39	7	61	100
Subsidiaries	102	23	10,360	10,462	80	25	8,842	8,923
<b>Total</b>	<b>143</b>	<b>31</b>	<b>10,428</b>	<b>10,571</b>	<b>119</b>	<b>32</b>	<b>8,904</b>	<b>9,023</b>

1) The number of people in the Parent Company is 18 (17) and in subsidiaries 75 (57).

2) Pension costs relating to senior executives, Presidents and Boards in subsidiaries amount to SEK 21 m. and are in addition to the amounts presented in the table (17).

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### Long-term variable 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. Investor has two programs for long-term variable remuneration: Investor's program and the program for Patricia Industries.

#### Investor's program for long-term variable remuneration

The program consists of the following two components:

##### 1) Stock Matching Plan

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 annual 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 either 10 or 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 a maximum between 10 and 27 percent of their respective basic salary. In order to participate fully in the Stock Matching Plan for 2018, the President had to invest or commit approximately 33 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 27 percent of the basic salary.

#### Summary of Investor's long-term share-based variable remuneration programs 2011-2018

##### Matching Shares 2011-2018

Year issued	Number of Matching Shares granted	Number at the beginning of the year	Adjustment for dividend 2018	Matching Shares forfeited in 2018	Matching Shares exercised in 2018	Weighted average share price on exercise	Number of Matching Shares at year-end	Theoretical value <sup>1)</sup> , SEK	Fair value <sup>2)</sup> , SEK	Strike price, SEK	Maturity date	Vesting period (years) <sup>3)</sup>
2018	32,172	–	332	302			32,202 <sup>4)</sup>	333.01	370.47	10.00	12/31 2024	3
2017	28,482	28,152	895	222	139	380.06	28,686 <sup>4)</sup>	355.53	395.69	10.00	12/31 2023	3
2016	49,948	48,671	1,547	287	1,214	352.41	48,717 <sup>4)</sup>	246.40	274.01	10.00	12/31 2022	3
2015	37,671	37,664	1,017	3	7,392	382.08	31,286	293.33	326.18	10.00	12/31 2021	3
2014	55,451	38,423	1,181		1,856	356.82	37,748	219.51	244.29	10.00	12/31 2020	3
2013	72,378	23,023	661		7,309	390.30	16,375	167.90	187.33	10.00	12/31 2019	3
2012	120,160	28,582	464	50	28,996	383.79	–	109.60	122.17	10.00	12/31 2018	3
2011	88,959	549		549			–	127.15	141.66	10.00	12/31 2017	3
<b>Total</b>	<b>485,221</b>	<b>205,064</b>	<b>6,097</b>	<b>1,413</b>	<b>46,906</b>		<b>195,014</b>					

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 value. See page 72 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 3 months from the end of employment if the employment lasted less than 4 years and 12 months if the holder has been employed longer.

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

##### Matching Options 2012-2018

Year issued	Number of Matching Options granted	Number at the beginning of the year	Matching Options forfeited in 2018	Number of Matching Options exercised in 2018	Weighted average share price on exercise	Number of Matching Options at year-end	Theoretical value <sup>1)</sup> , SEK	Fair value <sup>2)</sup> , SEK	Strike price, SEK	Maturity date	Vesting period (years) <sup>3)</sup>
2018	64,344	–	604			63,740 <sup>4)</sup>	21.50	23.95	456.60	12/31 2024	3
2017	56,964	56,303	709			55,594 <sup>4)</sup>	27.57	30.70	486.90	12/31 2023	3
2016	99,896	94,929	538	2,340	379.42	92,051 <sup>4)</sup>	28.32	32.69	340.90	12/31 2022	3
2015	75,342	70,662	3,402	1,610	412.52	65,650	38.77	44.76	403.30	12/31 2021	3
2014	110,902	67,612		2,576	383.20	65,036	29.86	34.41	304.50	12/31 2020	3
2013	144,756	38,686		18,375	400.59	20,311	22.63	24.97	236.10	12/31 2019	3
2012	240,320	56,252		56,252	383.58	–	14.70	16.87	157.80	12/31 2018	3
<b>Total</b>	<b>792,524</b>	<b>384,444</b>	<b>5,253</b>	<b>81,153</b>		<b>362,382</b>					

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 value. See page 72 for specification of the basis of calculation.

3) Under certain circumstances, in conjunction with the end of employment, Matching Options can be exercised before the end of the vesting period. Matching Options that have already vested must be exercised within 3 months from end of employment if employment lasted less than 4 years and within 12 months if the holder has been employed longer.

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

##### 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 2018 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. 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, 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, a proportional (linear) calculation of the number of shares that may be acquired is made. 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.

##### 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 previously been repurchasing its own shares in order to guarantee delivery.

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### Performance Shares 2012-2018

Year issued	Maximum number of Performance Shares granted	Number at the beginning of the year	Adjustment for dividend 2018	Performance Shares, forfeited in 2018	Performance Shares exercised in 2018	Weighted average share price on exercise	Number of Performance Shares at year-end	Theoretical value <sup>1)</sup> , SEK	Fair value <sup>2)</sup> , SEK	Strike price, SEK	Maturity date	Vesting period (years)
2018	132,371	–	1,376				133,747 <sup>3)</sup>	86.63	95.92	188.30	12/31 2024	3
2017	121,591	121,591	3,894				125,485 <sup>3)</sup>	92.81	102.77	196.59	12/31 2023	3
2016	231,067	235,364	7,537				242,901 <sup>3)</sup>	66.74	74.26	133.99	12/31 2022	3
2015	163,585	174,027	2,940	69,533	15,782	389.99	91,652	80.59	89.84	153.08	12/31 2021	3
2014	258,017	118,913	3,574		13,217	399.97	109,270	62.79	70.03	112.48	12/31 2020	3
2013	320,473	93,846	2,436		40,891	383.55	55,391	49.33	54.26	84.58	12/31 2019	3
2012	457,517	110,401	2,320		112,721	389.20	–	32.69	36.41	54.56	12/31 2018	3
<b>Total</b>	<b>1,684,621</b>	<b>854,142</b>	<b>24,077</b>	<b>69,533</b>	<b>182,611</b>		<b>758,446</b>					

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 value. See below for specification of the basis of calculation.

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

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.

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

	2018			2017		
	Matching Share	Matching Option	Performance Share	Matching Share	Matching Option	Performance Share
Averaged volume-weighted price paid for Investor B shares	380.51	380.51	380.51	405.77	405.77	405.77
Strike price	10.00	456.60	190.26	10.00	486.90	202.89
Assumed volatility <sup>1)</sup>	21%	21%	21%	23%	23%	23%
Assumed average term <sup>2)</sup>	5 years	5 years	5 years	5 years	5 years	5 years
Assumed percentage of dividend <sup>3)</sup>	0%	3.0%	0%	0%	3.0%	0%
Risk-free interest	–0.09%	–0.09%	–0.09%	–0.17%	–0.17%	–0.17%
Expected outcome <sup>4)</sup>			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.

#### Patricia Industries' program for long-term variable remuneration

Patricia Industries' program for long-term variable remuneration is based on the same structure as Investor's program for long-term variable remuneration, but is related to the value growth of Patricia Industries' ("PI").

The instruments in the PI long-term variable remuneration program are 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 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).

Two categories of employees are offered to participate in the program:

(i) PI Senior Management and (ii) Other PI Employees. Participants employed within the PI Nordic organization are only offered to participate in the PI-BS Plan whereas participants employed within the PI North America organization are 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.

#### General terms of instruments

The instruments granted under the PI-BS Plan and the PI-NA Plan are 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 in Investor.
- Instruments granted to PI Senior Management under the two Plans consists both of instruments replicating the Stock Matching Plan in Investor and instruments subject to specific performance conditions replicating the structure of the Performance-Based Share Program in Investor.
- 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 apply to the instruments under the program allocated to PI Senior Management (replicating the structure of the Performance-Based Share Program in Investor).

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 wholly-owned 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.

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### Summary of Patricia Industries' long-term share-based variable remuneration programs 2018

#### PI-BS Plan

##### Matching Shares 2017-2018

Year issued	Number of Matching Shares granted	Number at the beginning of the year	Adjustment for dividend 2018	Matching Shares forfeited in 2018	Matching Shares exercised in 2018	Weighted average share price on exercise	Number of Matching Shares at year-end	Theoretical value <sup>1)</sup> , SEK	Fair value <sup>2)</sup> , SEK	Strike price, SEK	Maturity date	Vesting period (years) <sup>3)</sup>
2018	25,280	–	321	1,403	592	404.53	23,606 <sup>4)</sup>	333.01	370.45	10.00	12/31 2024	3
2017	20,830	21,101	215	3,363	147	464.27	17,806 <sup>4)</sup>	355.53	395.77	10.00	12/31 2023	3
<b>Total</b>	<b>46,110</b>	<b>21,101</b>	<b>536</b>	<b>4,766</b>	<b>739</b>		<b>41,412</b>					

##### Matching Options 2017-2018

Year issued	Number of Matching Options granted	Number at the beginning of the year	Matching Options forfeited in 2018	Number of Matching Options exercised in 2018	Weighted average share price on exercise	Number of Matching Options at year-end	Theoretical value <sup>1)</sup> , SEK	Fair value <sup>2)</sup> , SEK	Strike price, SEK	Maturity date	Vesting period (years) <sup>3)</sup>
2018	50,560	–	2,769			47,791 <sup>4)</sup>	24.90	34.17	456.60	12/31 2024	3
2017	41,660	41,660	6,639			35,021 <sup>4)</sup>	31.51	44.00	486.90	12/31 2023	3
<b>Total</b>	<b>92,220</b>	<b>41,660</b>	<b>9,408</b>			<b>82,812</b>					

##### Performance Shares 2017-2018

Year issued	Number of Performance Shares granted	Number at the beginning of the year	Adjustment for dividend 2018	Performance Shares forfeited in 2018	Performance Shares exercised in 2018	Weighted average share price on exercise	Number of Performance Shares at year-end	Theoretical value <sup>1)</sup> , SEK	Fair value <sup>2)</sup> , SEK	Strike price, SEK	Maturity date	Vesting period (years) <sup>3)</sup>
2018	161,612	–	1,998	8,530			155,080 <sup>4)</sup>	86.63	97.67	190.26	12/31 2024	3
2017	132,442	134,098	1,313	23,905			111,506 <sup>4)</sup>	92.81	106.11	202.89	12/31 2023	3
<b>Total</b>	<b>294,054</b>	<b>134,098</b>	<b>3,311</b>	<b>32,435</b>			<b>266,586</b>					

1) The value of Matching Shares, Matching Options and 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 page 74 for specification of the basis of calculation.

3) Under certain circumstances, in conjunction with the end of employment, Matching Shares, Matching Options and Performance Shares can be exercised before the end of the vesting period.

Instruments that have already vested must be exercised within 3 months from end of employment if employment lasted less than 4 years and within 12 months if the holder has been employed longer.

4) Matching Shares, Matching Options and Performance Shares not available for exercise at year-end.

#### PI-NA Plan

##### Matching Shares 2017-2018

Year issued	Number of Matching Shares granted	Number at the beginning of the year	Adjustment for dividend 2018	Matching Shares forfeited in 2018	Matching Shares exercised in 2018	Weighted average share price on exercise	Number of Matching Shares at year-end	Theoretical value <sup>1)</sup> , SEK	Fair value <sup>2)</sup> , SEK	Strike price, SEK	Maturity date	Vesting period (years) <sup>3)</sup>
2018	13,110	–	157	905	383	422.30	11,979 <sup>4)</sup>	334.17	372.34	10.00	12/31 2024	3
2017	10,482	10,482	104	2,145	93	469.20	8,348 <sup>4)</sup>	356.31	396.95	10.00	12/31 2023	3
<b>Total</b>	<b>23,592</b>	<b>10,482</b>	<b>261</b>	<b>3,050</b>	<b>476</b>		<b>20,327</b>					

##### Matching Options 2017-2018

Year issued	Number of Matching Options granted	Number at the beginning of the year	Matching Options forfeited in 2018	Number of Matching Options exercised in 2018	Weighted average share price on exercise	Number of Matching Options at year-end	Theoretical value <sup>1)</sup> , SEK	Fair value <sup>2)</sup> , SEK	Strike price, SEK	Maturity date	Vesting period (years) <sup>3)</sup>
2018	26,220	–	1,811			24,409 <sup>4)</sup>	27.33	37.04	456.60	12/31 2024	3
2017	20,964	20,964	4,291			16,673 <sup>4)</sup>	29.85	39.19	486.90	12/31 2023	3
<b>Total</b>	<b>47,184</b>	<b>20,964</b>	<b>6,102</b>			<b>41,082</b>					

##### Performance Shares 2017-2018

Year issued	Number of Performance Shares granted	Number at the beginning of the year	Adjustment for dividend 2018	Performance Shares forfeited in 2018	Performance Shares exercised in 2018	Weighted average share price on exercise	Number of Performance Shares at year-end	Theoretical value <sup>1)</sup> , SEK	Fair value <sup>2)</sup> , SEK	Strike price, SEK	Maturity date	Vesting period (years) <sup>3)</sup>
2018	80,402	–	949	5,027			76,324 <sup>4)</sup>	96.80	112.51	190.26	12/31 2024	3
2017	67,237	67,237	670	14,625			53,282 <sup>4)</sup>	99.89	114.76	202.89	12/31 2023	3
<b>Total</b>	<b>147,639</b>	<b>67,237</b>	<b>1,619</b>	<b>19,652</b>			<b>129,606</b>					

1) The value of Matching Shares, Matching Options and 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 page 74 for specification of the basis of calculation.

3) Under certain circumstances, in conjunction with the end of employment, Matching Shares, Matching Options and Performance Shares can be exercised before the end of the vesting period.

Instruments that have already vested must be exercised within 3 months from end of employment if employment lasted less than 4 years and within 12 months if the holder has been employed longer.

4) Matching Shares, Matching Options and Performance Shares not available for exercise at year-end.

## Note 10. Employees and personnel costs

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

	PI-BS Plan						PI-NA Plan					
	Matching Share		Matching Option		Performance Share		Matching Share		Matching Option		Performance Share	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Averaged volume-weighted price paid for Investor B shares	380.51	405.77	380.51	405.77	380.51	405.77	380.51	405.77	380.51	405.77	380.51	405.77
Strike price	10.00	10.00	456.60	486.90	190.26	202.89	10.00	10.00	456.60	486.90	190.26	202.89
Assumed volatility <sup>1)</sup>	21%	23%	21%	23%	21%	23%	21%	23%	21%	23%	21%	23%
Assumed average term <sup>2)</sup>	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years
Assumed percentage of dividend <sup>3)</sup>	0%	0%	2.3%	2.3%	0%	0%	0%	0%	4.0%	4.0%	0%	0%
Risk-free interest	-0.09%	-0.17%	-0.09%	-0.17%	-0.09%	-0.17%	2.88%	1.79%	2.88%	1.79%	2.88%	1.79%
Expected outcome <sup>4)</sup>					50%	50%					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.

### Other programs in subsidiaries

#### Participation/incentive programs in Investor Growth Capital (IGC)

Within IGC, selected senior staff and other senior executives were, to a certain extent, allowed to make parallel investments with Investor, or else receive profit-sharing. For more information regarding the programs see note 32, Related party transactions.

#### Incentive programs in Patricia Industries' subsidiaries

Senior executives and selected senior staff in BraunAbility, Laborie and Sarnova, are offered the opportunity to invest in Stock Appreciation Rights and Stock Options in the respective subsidiary. These instruments are cash settled and the participants do not need to make any initial investment.

#### Management Participation Programs

Board members and senior executives in unlisted investments, including Mönlycke, Aleris, Permobil, Piab, Vectura, BraunAbility, Sarnova and Laborie are offered the opportunity to invest in the companies through management participation programs or similar. The terms of the programs are based on market valuations and are designed to yield lower return to the participants than that of the owners if the investment plan is not reached but higher return to the participants than that of the owners if the plan is exceeded.

#### Profit-sharing program for the trading operation

This program includes participants both from the trading organization and the investment organization. The participants in this program receive, in addition to their base salary, 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 required. In total, approximately 10-15 employees participate in the program.

### Accounting effects of share-based payment transactions

	2018	2017
Costs relating to share-based payment transactions, SEK m.		
<b>Group</b>		
Costs relating to equity-settled share-based payment transactions	26	32
Costs relating to cash-settled share-based payment transactions	112	62
Social security relating to share-based payment transactions	17	23
<b>Total</b>	<b>155</b>	<b>117</b>
<b>Parent Company</b>		
Costs relating to equity-settled share-based payment transactions	24	23
Costs relating to cash-settled share-based payment transactions	6	7
Social security relating to share-based payment transactions	14	22
<b>Total</b>	<b>44</b>	<b>52</b>
Other effects of share-based payment transactions, SEK m.		
<b>Group</b>		
Effect on equity relating to Stock-Options exercised by employees	27	52
Carrying amount of liability relating to cash-settled instruments	228	95
<b>Parent Company</b>		
Effect on equity relating to Stock-Options exercised by employees	27	52
Carrying amount of liability relating to cash-settled instruments	22	22

Note **10.** Employees and personnel costs

**Remuneration to the Board of the Parent Company**

At the 2018 Annual General Meeting (AGM), it was decided that Board remuneration should total SEK 10,835 t. (10,230), of which SEK 9,665 t. (9,110) would be in the form of cash and synthetic shares and SEK 1,170 t. (1,120) would be distributed as cash remuneration for committee work done by the Board of Directors.

**Synthetic shares 2008-2018**

Since 2008, Board members have been given the opportunity to receive a part of their gross remuneration, excluding committee fees, in synthetic shares. AGM's decision regarding synthetic shares 2018 is essentially identical to the decision of the AGM 2017. In 2018, Board members were entitled 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 2023, when each synthetic share entitles the Board member to receive an amount cor-

responding to the share price, at the time, of a class B Investor share. At the statutory meeting in May 2018 the Board approved, as in 2017, 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.

**Expensed remuneration to the Board 2018**

Total remuneration for 2018 (SEK t.)	Cash Board fee	Value of Synthetic Shares as at grant date	Committee 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 2018	Effect from Synthetic Shares exercised 2018	Total fee, actual cost	Number of Synthetic Shares at the beginning of the year	Number of Synthetic Shares granted 2018 <sup>1)</sup>	Adjustment for dividend	Exercised Synthetic Shares, 2018	Number of Synthetic Shares on December 31, 2018
Jacob Wallenberg	2,600		350	2,950				2,950					
Marcus Wallenberg	1,505			1,505				1,505					
Josef Ackermann	348	348		695	57	1	35	788	6,006	918	188	1,773	5,339
Gunnar Brock <sup>2)</sup>	348	348	185	880	57	1	35	973	6,006	918	188	1,773	5,339
Johan Forssell													
Magdalena Gerger	695		185	880	57			937	4,276		145		4,421
Tom Johnstone, CBE	348	348	85	780	57	1	35	873	6,006	918	188	1,773	5,339
Carola Lemne <sup>4)</sup>							35	35	1,730		43	1,773	
Sara Mazur	348	348		695		1		696		918	10		927
Grace Reksten Skaugen	695		280	975				975					
Hans Stråberg	348	348		695	57	1	35	788	6,006	918	188	1,773	5,339
Lena Treschow Torell	348	348	85	780	57	1	35	873	6,006	918	188	1,773	5,339
Peter Wallenberg Jr. <sup>3)</sup>					17		35	52	2,999		83	1,773	1,309
Sara Öhrvall <sup>5)</sup>					40			40	3,008		95		3,103
<b>Total</b>	<b>7,580</b>	<b>2,085</b>	<b>1,170</b>	<b>10,835</b>	<b>401</b>	<b>4</b>	<b>245</b>	<b>11,486</b>	<b>42,044</b>	<b>5,505</b>	<b>1,315</b>	<b>12,411</b>	<b>36,453</b>

- 1) Based on weighted average stock price for Investor B in the period May 5 to May 11 2018: SEK 378.72.
- 2) Additional remunerations of SEK 1,556 t. to Gunnar Brock have been expensed in the subsidiaries.
- 3) Member of the Board until 5/12 2015.
- 4) Member of the Board until 5/6 2014.
- 5) Member of the Board until 5/8 2018.

**Expensed remuneration to the Board 2017**

Total remuneration for 2017 (SEK t.)	Cash Board fee	Value of Synthetic Shares as at grant date	Committee 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 2017	Effect from Synthetic Shares exercised 2017	Total fee, actual cost	Number of Synthetic Shares at the beginning of the year	Number of Synthetic Shares granted 2017 <sup>1)</sup>	Adjustment for dividend	Exercised Synthetic Shares, 2017	Number of Synthetic Shares on December 31, 2017
Jacob Wallenberg <sup>2)</sup>	2,450		340	2,790			544	3,334	8,463		228	8,691	
Marcus Wallenberg <sup>2)</sup>	1,420			1,420				1,420					
Josef Ackermann	328	328		655	221	-27	127	976	7,042	802	190	2,028	6,006
Gunnar Brock <sup>3)</sup>	328	328	175	830	221	-27	145	1,169	7,324	802	197	2,317	6,006
Sune Carlsson <sup>4)</sup>							145	145	2,257		61	2,317	
Johan Forssell													
Magdalena Gerger	328	328	175	830	148	-27		950	3,383	802	91		4,276
Tom Johnstone, CBE	328	328	85	740	221	-27	145	1,079	7,324	802	197	2,317	6,006
Carola Lemne <sup>5)</sup>					74		145	219	3,941		106	2,317	1,730
Grace Reksten Skaugen	655		260	915				915					
Hans Stråberg	328	328		655	221	-27	145	994	7,324	802	197	2,317	6,006
Lena Treschow Torell	328	328	85	740	221	-27	145	1,079	7,324	802	197	2,317	6,006
Peter Wallenberg Jr. <sup>4)</sup>					128		145	273	5,177		139	2,317	2,999
Sara Öhrvall	328	328		655	94	-27		721	2,147	802	58		3,008
<b>Total</b>	<b>6,818</b>	<b>2,293</b>	<b>1,120</b>	<b>10,230</b>	<b>1,549</b>	<b>-191</b>	<b>1,687</b>	<b>13,275</b>	<b>61,705</b>	<b>5,616</b>	<b>1,663</b>	<b>26,941</b>	<b>42,044</b>

- 1) Based on weighted average stock price for Investor B in the period May 5 to May 11 2017: SEK 408.20.
- 2) Remunerations including pertinent statutory social charges and VAT are invoiced through a company. This procedure is not affecting the cost for Investor.
- 3) Additional remunerations of SEK 1,550 t. to Gunnar Brock have been expensed in the subsidiaries.
- 4) Member of the Board until 5/12 2015.
- 5) Member of the Board until 5/6 2014.