investor

Long-term variable remuneration programs adopted by Investor AB's Annual General Meeting on June 17, 2020

A long-term variable remuneration program for employees within Investor, excluding Patricia Industries, (item 16A on the agenda)

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 hand, the employees' possibility to receive performance-related allotments of shares in Investor. The own holding strengthens the employees' commitment to Investor and relates part of the remuneration to the long-term development of Investor. The employee is exposed to share price increases and decreases and the employee thereby has goals aligned with those of Investor's shareholders.

In summary, the 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. Over a long period of years, the Annual General Meeting of Investor has yearly made similar decisions on Stock Matching Plan and on Performance-Based Share Program. The oldest outstanding programs are the Stock Matching plan and the Performance-Based Share Program from 2014. Since 2017, employees within Patricia Industries are included in a separate long-term variable remuneration program, (see description in item 16B).

The program in short, decision procedure, majority requirements, etc

The Board of Directors has decided to propose to the Annual General Meeting 2020 a program for long-term variable remuneration which substantially is the same as the program from 2019. The cost for the 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 2020, which is connected to Investor shares of class B have the following two components.

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 Matching 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 Investor's first interim report for 2020 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 Extended 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 remuneration 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 remuneration 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 remuneration 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 32 percent of the fixed cash remuneration 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 remuneration 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 490 per share, the calculated value amounts to approximately 83 percent of the invested amount.

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 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 remuneration for 2020 (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 490, the value of every Performance Share amounts to SEK 111. 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 2020.

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.

Number of shares, costs and hedging arrangements

A Participation Price of SEK 490 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, given maximum outcome of the performance measures, including estimated remuneration for dividends, amounts to 250,000. 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 2020 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 490 and full participation for the shares during the Measurement Period, to approximately SEK 24 (of which the Extended Management Group approximately 9) million for the Stock Matching Plan and approximately SEK 25 (of which the Extended Management Group SEK approximately 15) 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 17 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.

Miscellaneous

The long-term variable remuneration program 2020 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 380,000 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 1.06 million shares, the variable remuneration programs of Investor include approximately 0.2 percent of the total number of outstanding shares and approximately 0.04 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 www.investorab.com.

A long-term variable remuneration program for employees within Patricia Industries, (item 16B on the agenda)

It is the Board of Directors' ambition to create an alignment for the variable remuneration of employees of Patricia Industries ("PI") to the value creation in PI's portfolio. The program, that annually has been decided by Investor's AGM since 2017, is structured to provide that employees of PI are directly aligned with the value creation of PI. As concerns the long-term variable remuneration program for employees in PI, it is the purpose 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.

In summary, the program is built on the same structure as Investor's long-term variable remuneration program, but is related to the value growth of 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 are granted, conditional upon making a personal investment in Investor shares, instruments that 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). For employees of PI who have previously taken part in Investor's long-term variable remuneration program this program replaced such participation. For description of Investor's long-term variable remuneration program, see item 16A.

The program in short, decision procedure, majority requirements, etc.

The Board of Directors has decided to propose to the Annual General Meeting 2020 a program for long-term variable remuneration for employees within PI which substantially is the same as the program from 2019. The cost for the long-term variable remuneration program is in line with the program from last year. The Board of Directors' decision has been preceded by the Remuneration Committee's 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.

General terms for the PI long-term variable remuneration program

Personal investment

Similar to the proposed long-term variable remuneration program 2020 for employees within Investor (item 16A), 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 proposal regarding item 16A. 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 remuneration before taxes.

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.

Grant Value
Each participant are 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 remuneration before taxes ranging between 15 percent and approximately 160 percent of the annual fixed cash remuneration 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 are granted instruments, the value of which depends 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 hand, 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 are granted instruments, the value of which depends 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 hand, 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 replicate the structure of the Stock Matching Plan described in item 16A.
- Instruments granted to PI Senior Management under the two Plans consist both of instruments replicating the Stock Matching Plan in item 16A and instruments subject to specific performance conditions replicating the structure of the Performance-Based Share Program described in item 16A.
- 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 described in item 16A).

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.

Costs
The program is accounted for in accordance with IFRS-2 which stipulates that the instruments are 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 40 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 12 million and the maximum social security cost is estimated at approximately SEK 1.1 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 38 million and the maximum social security cost is estimated at approximately SEK 3 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 79 million and the maximum social security cost is estimated at approximately SEK 7 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 6 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 24 million and the maximum social security cost is estimated at approximately SEK 0.5 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 48 million and the maximum social security cost is estimated at approximately SEK 1.0 million.

Miscellaneous
The program does not result in any share dilution. Further information regarding variable remuneration programs in Investor and Patricia Industries for previous years is provided in Investor's Annual Report and on Investor's website, www.investorab.com.