Remuneration report 2021

Investor AB

Remuneration report 2021

Introduction

This remuneration report provides an overview of how Investor's guidelines for executive remuneration, adopted by the Annual General Meeting 2020, have been implemented in 2021. It contains information on short-term and long-term variable remuneration as well as details on the remuneration of Investor's CEO.

The report has been prepared in accordance with the Swedish Companies Act and the *Rules on Remuneration of the Board and Executive Management and on Incentive Programs* issued by the Swedish Corporate Governance Board.

Investor is an engaged long-term owner and through substantial ownership and board participation, we drive the initiatives that we believe will create the most value for each of our portfolio companies. Our compensation philosophy is based on our strategy and focuses on long-term value creation and must be competitive compared to the external market. It consists of fixed cash remuneration, variable short-term and long-term remuneration, pension and other benefits.

Further information on executive remuneration is available in note 11 (Employees and personnel costs) on pages 73-79 in the Annual Report 2021. Information on the work of the Remuneration Committee in 2021 is set out in the Corporate Governance Report available on page 46-47 in the Annual Report 2021.

Key developments for Investor 2021

Investor's CEO, Johan Forssell, summarizes key events and Investor's overall performance in his statement on pages 6-7 in the Annual Report 2021. He comments on the performance of the portfolio companies as well as the development of Investor's Total Shareholder Return.

Remuneration guidelines

Implementation 2021

During 2021, Investor has complied with the applicable remuneration guidelines adopted by the general meeting. No deviations from the guidelines have been decided and no derogations from the procedure for implementation of the guidelines have been made. No remuneration has been reclaimed.

The remuneration guidelines are found on page 54 in the Annual Report 2021 and on www.investorab.com, under section Corporate Governance. The auditor's report regarding Investor's compliance with the guidelines is available on www.investorab.com, under section Corporate Governance.

Scope and purpose

A prerequisite for the successful implementation of our business strategy and safeguarding of Investor's long-term interests, including sustainability, is that we are able to recruit and retain people with key competences and experiences. The remuneration guidelines enable Investor to offer executives a competitive total remuneration. Under Investor's remuneration guidelines, remuneration of the CEO and other members of the Extended Management Group shall be on market terms and may consist of fixed cash remuneration, short-term variable remuneration (STVR), pension and other benefits. As further set out in the remuneration guidelines, long-term variable remuneration (LTVR) is also included in the total remuneration.

Short-term variable remuneration shall be dependent upon the individual's fulfillment of annual targets. The criteria for the annual targets can be financial or non-financial, qualitative or quantitative, and shall support Investor's business strategy and long-term interests, including fulfillment of our sustainability targets.

The Annual General Meetings of Investor have resolved to implement long-term variable remuneration programs. The rational is that a substantial part of the total compensation for Investor's executives should be long-term, as Investor's business model is to be an engaged long-term owner. Through substantial ownership and board participation, we drive the initiatives that we believe will create the most value for each individual company, for the longer term.

There is one long-term variable remuneration program for Investor AB and one for Patricia Industries. These programs are described briefly in this report and in detail in the Board's proposal to the Annual General Meeting that is presented on www.investorab.com.

Remuneration of the Board of Directors is resolved annually by the Annual General Meeting and disclosed in note 11 (Employees and personnel costs) on page 79 in the Annual Report 2021. The remuneration of the Board includes a possibility to elect to receive part of the remuneration in the form of so-called synthetic shares instead of cash, as further described on page 79 in the Annual Report 2021.

Total CEO remuneration in 2021 and 2020 (SEK) - Table A

The remuneration to the CEO is in line with the remuneration guidelines adopted by the Annual General Meeting. The table below shows the total compensation for the CEO in 2020 and 2021 (all amounts in SEK). For history prior to 2020, we refer to previous Remuneration report and Annual Reports. In addition to the remuneration specified in this table, the CEO received board fees for his board assignments, which in 2021 amounted to approximately SEK 4m.

Name of Director and position	Financial year	1 Fixed remuneration		2 Variable remuneration		3	4	5	6
		Fixed cash remuneration	Other benefits[1]	STVR[2]	LTVR[3]	Extraordinary items[4]	Pension[5]	Total remuneration[6]	Proportion of fixed and variable remuneration[7]
Johan Forssell, CEO	2021	12,600,000	311,341	1,197,000	12,600,000	0	4,622,747	31,268,088	56/44
	2020	10,355,000	265,347	2,795,850	8,284,000	1,346,340	3,937,185	26,983,722	54/46

Notes on Table A:

(1) Other benefits: Other benefits include health care insurance, domestic services, meal contribution and vacation supplement.

(2) STVR / Short-term (One-year) variable remuneration: In 2021, the maximum STVR for the CEO was 10% of fixed cash remuneration and in 2020 the maximum STVR was 30% of fixed cash remuneration. The average outcome for the last three years has been 92% of the maximum STVR.

(3) LTVR / Long-term (multi-year) variable remuneration (the value shown is the grant value for respective year). In 2020 the maximum LTVR was 80% of fixed cash remuneration and in 2021 it corresponded to 100%.

2021:

- In 2021 Johan Forssell also exercised instruments from previous already vested programs from 2017 and 2018.
- The net value of vested instruments for the financial year of 2021 was SEK 51.0m before taxes. This is calculated using the share price as of December 31, 2021 less strike, multiplied by the number of instruments (granted in 2019) as well as applying performance vesting percentages.
- To be able to receive the above stated value in 2021 Johan Forssell invested (or committed shares) corresponding to SEK 3.2m upon grant (in 2019) and the grant amount was SEK 7.6m. Exercise amount to be paid is SEK 19.0m.

2020:

- In 2020 Johan Forssell also exercised instruments from previous already vested programs from 2015 and 2016.
- The net value of vested instruments for the financial year of 2020 was SEK 26.2m before taxes. This is calculated using the share price as of December 31, 2020 less strike, multiplied by the number of instruments (granted in 2018) as well as applying performance vesting percentages.
- To be able to receive the above stated value in 2020 Johan Forssell invested (or committed shares) corresponding to SEK 2.6m upon grant (in 2018) and the grant amount was SEK 6.4m. Exercise amount to be paid is SEK 14.9m.

(4) Extraordinary items: Unused vacation paid out in cash. Any unused vacation days, exceeding 60 saved days or older than five years, are paid out in cash. By the end of 2020, the accumulated number of unused vacation days, (exceeding 60), amounted to 27. In 2021 that number was 0.

(5) Pension: Pension according to Investor's pension plan for the Management Group.

(6) Total remuneration: Sum of Columns 1-4. The increased total remuneration is based on a market adjustment.

(7) Proportion of fixed and variable remuneration: Pension (column 4), which in its entirety relates to fixed cash remuneration and is premium defined, has been counted entirely as fixed remuneration.

Long-term variable remuneration (LTVR) programs

Outstanding LTVR programs

Investor has LTVR programs in place for Investor AB and for Patricia Industries. The programs have been prepared by the Remuneration Committee, approved by the Board of Directors and, finally, decided annually by the Annual General Meeting.

The implementation of the Investor Program and the Patricia Program is conditional upon decision by simple majority at the Annual General Meeting.

LTVR - Investor AB

The outstanding LTVR programs for Investor AB are, as of December 31, 2021, the vintages launched annually from 2015 until 2021.

The program has a seven-year lifetime; three years of vesting, during which all instruments are locked, and a four-year exercise window, when instruments can be exercised and turned into cash or shares. Participation requires investment in Investor shares.

The program has two key components; a Stock Matching Plan and a Performance Plan. The Stock Matching Plan is offered to all employees, and the Performance Plan is offered to the CEO, the Extended Management Group and other holders of business critical roles only.

The Stock Matching Plan: Each participation share gives the right, post vesting, to receive a matching unit consisting of *two* “Matching Options” and a right to purchase *one* “Matching Share”. Allocation of the matching instruments occurs after the three-year vesting period. Employees, who remain employed at Investor, has subsequently a four-year window to exercise the instruments. The Matching Share can be acquired for SEK 2.50 (SEK 10.00 proposed for the 2022 plan) and each Matching Option entitles the holder to purchase one Investor share at a price corresponding to 120 percent of the grant price.

The Performance Plan: Participation in the Performance Plan requires participation in the Stock Matching Plan. Under the Performance Plan, participants have the right to acquire additional Investor shares (“Performance Shares”) at a price corresponding to 50 percent of the grant price. However, this possibility is conditional upon achievement of certain pre-defined performance criteria. Performance is measured as Total Shareholder Return (TSR) and is measured during the three-year vesting period through nine quarterly measurement points, each on a running 12-month basis. The total outcome of all of the nine measurements is assessed as the average total return.

> At each measurement, the TSR development is compared with the 10-year Swedish government bond plus a hurdle. Maximum target fulfilment is achieved if the average annual total return of the Investor share (including reinvested dividends) exceeds the interest on 10-year Swedish government bonds by more than 10 percentage points. A maximum target fulfilment provides participants the right to acquire the *maximum* number of Performance Shares, that are set out and defined at grant.
>
> On the other hand, if the total return does *not* exceed the 10-years interest on Swedish government bonds by at least 2 percentage points, the plan participants are not entitled to acquire any Performance Shares.

If the total return falls *between* the 10-years interest on Swedish government bonds plus 2 percentage points and the 10-year interest on Swedish government bonds plus 10 percentage points, a proportional (linear) calculation of the number of shares that may be acquired is made.

The Investor LTVR-program causes only marginal dilutive effects. In order to limit the costs for the long-term variable remuneration, inclusive of social security charges, the exposure is hedged using repurchased shares.

LTVR – Patricia Industries

The LTVR program for Patricia Industries was launched for the first time in 2017. Patricia Industries was formed to focus on our unlisted investment portfolio and to add new subsidiaries. Therefore, the program for Patricia Industries is designed to give the employees within Patricia Industries an even stronger exposure to and alignment with the Patricia Industries' portfolio.

The outstanding LTVR programs for Patricia Industries are the vintages launched annually from 2017 until 2021.

The Patricia Industries program is built on the same structure as the Investor Program but is related to the value growth of Patricia Industries and is based on synthetic instruments. Like the Investor program, the program has a seven-year lifetime, including three years of vesting and four years to exercise the instruments. Participation requires investment in Investor shares.

The instruments in Patricia Industries' program are granted under two different Plans: 1) The PI Balance Sheet Plan (the "PI-BS Plan"); and 2) The PI North America Subsidiaries Plan (the "PI-NA Plan"). The PI-BS Plan is based on the value of the *entire* Patricia balance sheet, whereas the PI-NA Plan is based on the value of the balance sheet of the PI North American subsidiaries *only*. Employees in Patricia Industries Nordic are part of the PI-BS Plan and employees in Patricia Industries North America are part of both plans, with a 60/40 split (60% PI-BS Plan and 40% PI-NA Plan).

Two categories of employees are offered to participate in Patricia Industries' program: (i) Holders of Business Critical Roles in Patricia Industries and (ii) Other Employees in Patricia Industries. The group Other Employees is offered participation in a Stock Matching Plan, that replicates the structure of Investor's Stock Matching Plan. Holders of Business Critical Roles in Patricia Industries are offered participation in a Stock Matching Plan as well as in a Performance Plan, both replicating the structure of Investor's LTVR-program.

The following performance conditions apply to the instruments under Patricia Industries Performance Plan.

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.

The Patricia Industries LTVR-program does not cause any dilution, since it is based on synthetic shares.

Since the underlying assets of Patricia Industries are not listed, the total cost of the program cannot in an efficient way be capped by hedging arrangements. The total outcome for each individual participant in the program is limited by a maximum number of instruments that can be allocated but not by any other predetermined limit.

Additional information regarding LTVR programs for previous years in Investor and Patricia Industries is available in Investor's Annual Reports. For the year 2021 specifically, details are found in the Annual Report note 11 (Employees and personnel costs), pages 73-79, and in the Notice to the Annual General Meeting 2021. All to be found at www.investorab.com.

Long-term variable remuneration programs (CEO) - Table B

Name of director and position	The main conditions of the LTVR plans							Information regarding the reported financial year				
	1.		2.	3.	4.	6.	7.	Opening balance	During the year		Closing balance	
	Specification of plan		Vesting period/ Perfor-mance period	Award date	Vesting date	Exercise period	Exercise price	8. Number of instruments held at the beginning of the year	9. Number of awarded instruments (yearly grant and dividend adjustments) (1)	10. Number of vested instru-ments(2)	11. Number of instruments subject to a performance condition	12. Number of instruments awarded and unvested
Johan Forssell, CEO	2021	Matching shares	20210101-20231231	20210101	20231231	20240101-20271231	2.50	-	26,157	-	-	26,157
		Matching options					226.20	-	52,060	-	-	52,060
		Performance shares					93.82	-	196,248	-	196,248	-
	2020	Matching shares	20200101-20221231	20200101	20221231	20230101-20261231	2.50	25,272	481	-	-	25,753
		Matching options					158.15	50,544	-	-	-	50,544
		Performance shares					64.68	184,768	3,465	-	188,233	-
	2019	Matching shares	20190101-20211231	20190101	20211231	20220101-20251231	2.50	30,224	573	-	-	30,797
		Matching options					129.80	58,888	-	-	-	58,888
		Performance shares					51.73	213,804	4,011	217,815	-	-

Please note that the number of instruments in programs granted earlier than 2021 have been adjusted for the share split that took place in May 2021.

For additional information with regards to the long-term variable remuneration programs for the CEO, we refer to the Annual Reports.

The actual LTVR value, at exercise, for the CEO, depends on the development of the Investor share price. Since the program is hedged, the cost for Investor is fixed and fully predictable, but the actual value for the receiver, in this case the CEO, depends on the value creation as reflected in the Investor share price development.

Notes on Table B:

(1) The value of the 2021 LTVR program at grant was SEK 12.6m (100% of fixed cash remuneration) calculated using Black-Scholes valuation at the time of the award. The value of the dividend instruments (granted on all programs, both currently vesting and already vested but not exercised) are not adding value but merely compensating for the loss of value due to dividend paid by Investor AB in the underlying Investor B-share.

(2) The unrealized value of vested instruments is SEK 51.0m before taxes, which corresponds to the net value of each option vested in 2021 using the share price as of December 31, 2021 less strike multiplied by the number of instruments granted as well as performance vesting percentages. To be able to participate in the long-term variable remuneration programs the participant is required to invest in (or commit) Investor shares. Johan Forssell invested SEK 3.2m upon grant (in 2019) and the amount granted was SEK 7.6m. Exercise amount to be paid is SEK 19.0m.

Application of performance criteria

The performance measures for the variable remuneration of the CEO are constructed to meet Investor's overall purpose, execute the strategy, drive value creation, practice engaged long-term ownership and safeguard the development of Investor.

The CEO's short-term variable remuneration (STVR) is determined by achievement of pre-defined annual performance targets, financial as well as non-financial, qualitative and quantitative. Examples of target areas for the CEO, are deliverables linked to value creation plans for portfolio companies, achievements of sustainability targets and the overall development of Investor. Maximum STVR for the CEO equals 10 percent of fixed cash remuneration. The average outcome for the last three years, has been 92 percent of the maximum STVR.

Regarding long-term variable remuneration, the CEO participates fully in Investor's LTVR programs. Performance criteria for these programs is the Total Shareholder Return (TSR) for the Investor B-share in relation to certain hurdle rates. For minimum vesting the TSR must reach above the low watermark hurdle (the interest on a Swedish 10-year government bond plus two percentage points). For maximum vesting the TSR must reach above the high watermark hurdle (the interest on a Swedish 10-year government bond plus ten percentage points).

Performance outcome of long-term variable remuneration programs (CEO) - Table C

Name of director and position	Performance Plan	Vesting outcome
Johan Forssell, CEO	Performance shares 2021	N/A*
	Performance shares 2020	N/A*
	Performance shares 2019	100%
	Performance shares 2018	90%
	Performance shares 2017	57%
	Performance shares 2016	58%
	Performance shares 2015	60%

* Performance period still running.

Comparative information on the change of remuneration and company performance

The table below shows information about the remuneration of the CEO, company performance and average remuneration for our employees. The years of comparison will be added one by one each year in coming remuneration reports.

Since the average number of employees is relatively low, (for 2021, the average number of employees was 77), remuneration numbers fluctuate from one year to another and changes with the composition of the workforce.

Worth noting is also that, in our case, as an industrial holding company, and different to an operational company, it should be avoided to evaluate the performance of Investor based on one single year, since it to a large extent depends on value changes of listed shares, which gives low predictability and high volatility. Instead, the long-term performance of Investor is most relevant to evaluate our performance. Please find additional details on the group net income, and why it is not a suitable comparative measure, in note (1) below table D.

For additional information about company performance and employee remuneration, we refer to Investor's Annual Reports.

Remuneration and company performance over the last reported financial years (SEK m) - Table D

Remuneration[1]	2021	2020	2019
Johan Forssell, CEO	SEK 31.3m (+15.9%)	SEK 27.0m (+12.5%)	SEK 24.0m
Investor B, Total Shareholder Return (TSR), one year	54.9%	19.3%	40.0%
SIXRX, (TSR), one year	39.3%	14.8%	35.0%
Investor B, (TSR), 5-year annualized	24.8%	17.1%	15.8%
SIXRX, (TSR), 5-year annualized	17.7%	12.2%	11.3%
Investor B, (TSR), 10-year annualized	25.3%	19.0%	18.2%
SIXRX, (TSR), 10-year annualized	16.8%	11.4%	12.5%
Investor B, (TSR), 15-year annualized	15.4%	13.7%	16.3%
SIXRX, (TSR), 15-year annualized	10.8%	10.2%	11.5%
Average remuneration on a full time equivalent basis of employees of the parent company[2]	SEK 2.2m	SEK 2.0m	SEK 1.7m

Additional comments on Table D:

(1) The group net income of 2021 was SEK 227,965m, and for 2020 it was SEK 52,662m. The net income figure includes earnings from our wholly owned subsidiaries but also realized and unrealized value changes of our holdings in Listed Companies, the part of our portfolio which makes up the largest share of the balance sheet. The effect of unrealized value changes on group net income makes the figure a somewhat inappropriate proxy for performance evaluation. Over time, there are fluctuations. In our case, as an industrial holding company, and different to an operational company, evaluating company performance based on net income for one single year is problematic since it to a large extent depends on the above stated unrealized value changes of listed shares which gives low predictability and high

volatility. A better proxy for performance measurement therefore is Total shareholder return (TSR) which refers to the price changes of the Investor B-share with reinvested dividends. While there is some connection between TSR and group net income the TSR better provides a view of the equity market's view of the Investor B-share in relation to alternative investments. Rewarding long term value creation also suggests that it can be more suitable to look at the TSR-performance over a longer time period. Therefore, in addition to each respective financial year, we also provide the 5-year, 10-year and 15-year annualized TSR to give a broader representation of Investor's performance.

(2) The average remuneration for all employees is calculated based on the average number of full-time equivalent employees in Investor AB, the parent company, including the Extended Management Group.

Description of how the views of shareholders' have been taken into consideration

At the 2021 Annual General Meeting, the Board's Remuneration Report was approved by shareholders with approximately 98.1 percent of the votes cast. A few comments on the Report have been received, which have been compiled and reported to the Remuneration Committee. The comments refer to requests for some more details and have led to minor additions in this year's Report. The comments have otherwise not rendered any changes, as the information already provided is relevantly detailed and as the previous Remuneration Report was approved by a distinct majority.

Stockholm, March 2022
Investor AB (publ)
The Board of Directors