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THE BOARD'S REPORT OF THE COMPENSATION COMMITTEE'S EVALUATION OF REMUNERATION TO SENIOR EXECUTIVES

The board of directors has after the annual general meeting 2012 established a committee to carry out the tasks of a compensation committee under the Swedish Corporate Governance Code. The committee's tasks include monitoring and evaluation of variable remuneration programmes for senior executives, the application of the company's guidelines for remuneration to senior executives as well as current remuneration structures and levels within the company.

The board of directors hereby presents the following report of the committee's evaluation, in accordance with rule 10.3 in the Swedish Corporate Governance Code.

The committee takes the view that the company's guidelines for remuneration to senior executives resolved by the annual general meeting 2016 have fulfilled their purposes, worked well and been applied in a correct manner. Moreover, the committee considers the company's remuneration structures and levels to be well-balanced and in accordance with market practice.

The annual general meeting 2012 adopted a long-term performance based incentive programme (LTI 2012). The annual general meetings of 2013, 2014, 2015 and 2016 adopted equivalent programmes (LTI 2013, LTI 2014, LTI 2015 and LTI 2016). In April 2016, 115,360 shares were delivered by the company, from own shares repurchased, to satisfy those options exercised under LTI 2013. Delivery of shares will be made no later than October 2017 under LTI 2014, no later than October 2018 under LTI 2015 and no later than October 2019 under LTI 2016. The committee notes that the outcome of the programmes is dependent upon the value of the company's shares on the market and that the conditional right to exercise the performance stock options is dependent upon the criteria summarised in the table below.

Stock options	LTI 2016	LTI 2015	LTI 2014	LTI 2013
Employee stock options	93,586	61,800	50,960	57,680
Performance stock option 1	46,793	30,900	25,480	28,840
Performance stock option 2	46,793	30,900	25,480	28,840
Total stock options	187,172	123,600	101,920	115,360
Average exercise price, SEK	79.75	96.55	80.10	63.13
Criteria for performance stock option 1	2018 EPS ≥ SEK 10.00	2017 EPS ≥ SEK 7.50	2016 EPS ≥ SEK 6.00 ¹⁾	2015 EPS ≥ SEK 6.25 ¹⁾
Criteria for performance stock option 2	2016-18 Average ROE ≥ 25%	2015-17 Average ROE ≥ 25%	2014-16 Average ROE ≥ 20% ¹⁾	2013-15 Average ROE ≥ 20% ¹⁾
Number of participants	6	3	5	5
Conditioned by savings shares	46,793	30,900	25,480	28,840

¹⁾ *Criteria for performance stock options were successfully achieved*

These LTI programmes will be continuously tracked on a yearly basis.

Stockholm, February 2017
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The board of directors