



## Proposal of the Board of Directors of Loomis AB (publ) for the implementation of an incentive scheme

### **Background and motives**

In addition to the existing warrant program, Loomis AB has implemented an incentive scheme resolved by the Annual General Meeting ("AGM") 2011. In the long run this incentive scheme will make it possible for 300 of Loomis' executives to become shareholders of Loomis, thus strengthening the employee ownership in Loomis' future success and development. It is the opinion of the Board that the incentive scheme (which has been in place since 2010) has been appropriate and contributed to the creation of joint goals for key-employees and the shareholders. The Board therefore proposes that the AGM 2012 resolve on a new incentive scheme in accordance with the terms and conditions of the incentive scheme adopted by the AGM 2011.

The proposal principally entails that 1/3 of any annual bonus earned may be paid in the form of shares of series B in Loomis with delayed payment and subject to continued employment with Loomis. It is the assessment of the Board that the scheme will increase the group's attractiveness as an employer.

The detailed contents of the proposed incentive schemes are described below. In order to implement the scheme in an efficient and cost-effective way, it is also proposed that the AGM authorizes the Board to acquire and transfer treasury shares on the stock exchange and to resolve that acquired treasury shares may be transferred to the participants of the incentive scheme on the terms and conditions stated below, or, alternatively, enter into a so-called swap agreement with a bank/third party.

In light of the proposed conditions, the contemplated size of the scheme and other circumstances, the Board is of the view that the proposed incentive scheme is well balanced and advantageous to Loomis and its shareholders.

The Board intends to recur with proposals for incentive schemes in accordance with the principles here proposed also before AGMs after 2012.

### **A. Incentive Scheme**

The Board of Directors proposes that the AGM resolves on a new incentive scheme (the "**Incentive Scheme**") in accordance with the previous incentive scheme. The principal guidelines are described below.

1. Approximately 300 employees participating in the incentive scheme adopted by the AGM 2011 will participate in the Incentive Scheme.
2. Employees participating in the Incentive Scheme will be entitled to receive a part of the yearly bonus in the form of shares in Loomis, provided that certain predetermined and measurable performance criteria, which currently apply under the existing incentive scheme, are met.
3. The principles already applicable under the existing bonus scheme, within the scope of the principles on remuneration to senior executives adopted by the AGM, will continue to apply. The existing principles relates to result improvement and are set as close to the local business as possible and aim for long term profitability of the group.
4. For parent company employees the performance based targets are relating to earnings per share ("**EPS**") for Loomis compared with previous year. For other participants in the Incentive Scheme the performance based targets are relating to improvement of operating result of the applicable profit centre. The performance based targets varies depending on in which part of the business

the employee works, but is principally based on an annual improvement of EPS or EBITA within the employee's area of responsibility.

5. Provided that the applicable performance criteria are met, the annual bonus will be determined at the outset of 2013 and will, subject to sections A6, A7 and B (i) (b) 7 (a) below, be payable as follows.
  - (i) 2/3 of the bonus will be paid in cash at the outset of 2013; and
  - (ii) 1/3 of the bonus will be paid in shares of series B in Loomis AB (the "**Bonus Shares**") at the outset of 2014. The number of Bonus Shares to which each participant will be entitled shall be determined by the ratio between the available bonus and the share price at the time of determination of the bonus.
6. Distribution of Bonus Shares according to section 5 (ii) above will only occur if the total accrued bonus amounts to at least EUR 4,200. If the total bonus is less than EUR 4,200, the whole bonus amount will instead be paid out in cash at the outset of 2013 in accordance with section 5 (i) above.
7. Distribution of Bonus Shares according to section 5 (ii) above is conditioned upon the employee remaining employed by Loomis as of the last day of February 2014, except where an employee has left his/her employment due to retirement, death or long term disability, in which case the employee shall have a continued right to receive Bonus Shares.
8. Prior to the distribution of Bonus Shares in accordance with section 5 (ii) above, the employee will neither be registered as a shareholder nor have any shareholder rights (e.g. voting rights or rights to dividend) connected to the Bonus Shares. At distribution of the Bonus Shares in accordance with section 5 (ii) above, the employee shall however be entitled to additional shares up to a value corresponding to any dividend paid as regards the Bonus Shares (based on the value of the share at the time of distribution) during the period from payment of the cash bonus in accordance with section 5 (i) until distribution of the Bonus Shares.
9. The number of Bonus Shares that can be received may be subject to recalculation due to share issues, splits, reverse splits and similar dispositions.
10. The Board shall be entitled to resolve on a reduction of the distribution of Bonus Shares if distribution in accordance with the above conditions – considering Loomis' result and financial position, other circumstances regarding the group's development and the conditions on the stock market – would be clearly unreasonable.
11. Participation in the Incentive Scheme presumes that such participation is lawful and that such participation in Loomis' opinion can take place with reasonable administrative costs and economic efforts. The Board shall however be entitled to implement an alternative incentive solution for employees in such countries where participation in the Incentive Plan is not advisable, which alternative solution shall, as far as practically possible, correspond to the terms of the Incentive Scheme.
12. The Board shall be responsible for the particulars and the handling of the Incentive Scheme within the frame of the above principal guidelines and shall also be entitled to make such minor adjustments which may prove necessary due to legal or administrative circumstances.

A valid resolution by the AGM on the proposal addressed under this item A. requires support from shareholders representing more than half of the votes cast, or, in case of equal voting, the opinion supported by the Chairman of the AGM.

**B. Costs of the Incentive Scheme. Hedging measures**

In addition to already existing costs related to the current incentive scheme such as salary costs and social security payments, the Incentive Scheme is not expected to give rise to any material costs. These costs can be estimated at approximately MSEK 101, at maximum outcome.

**(i) Hedging based on acquisition of treasury shares**

**(a) Authorization for the Board to resolve on acquisition of treasury shares of series B on the stock market**

In order to enable the delivery of Bonus Shares in accordance with the Incentive Scheme, the Board proposes that the AGM authorizes the Board to resolve on acquisition of treasury shares of series B on the following terms:

1. The authorization may be exercised on one or more occasions, however not later than the AGM 2013.
2. The number of shares required for delivery of Bonus Shares to the participants of the Incentive Scheme, however not more than 350,000 shares (estimated based on historical actual bonus payments and adjusted to the present number of bonus eligible managers and an estimated share price of SEK 95), may be acquired for securing delivery thereof, whereby the Board may resolve that acquisition of the company's own shares shall be made in accordance with the Regulation of the European Commission (EC) No. 2273/2003.
3. Acquisitions in accordance with section 2 shall be made on the NASDAQ OMX Stockholm Exchange at a price within the from time to time registered price interval, referring to the interval between the highest purchase price and the lowest selling price. Exceptions may be done pursuant to applicable regulations.

**(b) Transfer of treasury shares to participants of the Incentive Scheme and authorization of the Board to resolve on transfer of treasury shares as a result of the Incentive scheme**

In order to enable the delivery of Bonus Shares to participants and in order to fulfill the obligations in accordance with the Incentive Scheme, the Board proposes that the AGM resolves on transfer of treasury shares of series B on the following terms.

1. The number of shares required for delivery of Bonus Shares to participants of the Incentive Scheme, however not more than 350,000 shares (corresponding to the repurchased shares under (a) 2 above), may be transferred, at the latest on 30 June 2014.
2. The right to receive shares shall accrue to participants of the Incentive Scheme, with the right for each participant to receive not more than the number of shares as set out by the terms of the scheme.
3. Transfer of shares to participants of the Incentive Scheme shall be executed as soon as reasonably possible after the participants being entitled to receive Bonus Shares under the Incentive Scheme.

4. Transfer of the shares shall be effected free of charge for the participants.
5. Loomis shall have the right to retain or, on behalf of the participant, sell the corresponding number of Bonus Shares that is required to cover the costs of withholding tax or similar taxes and fees. To cover such costs and to be able to dispose of treasury shares that remain unused in Loomis' possession after the allotment of Bonus Shares, the Board proposes that the AGM authorizes the Board to resolve on the transfer of such treasury shares, however a maximum of 350,000 shares, on NASDAQ OMX Stockholm at a price within the price interval registered at any given time, such interval being the interval between the highest purchase price and the lowest sales price. The authorization may be used on one or several occasions, until the AGM 2013.
6. The number of shares transferred under the Incentive Scheme may be subject to recalculation due to share issues, splits, reverse splits and similar dispositions.
7. In the event the maximum amount of treasury shares set forth in 1 above is insufficient to cover the amount of shares required for delivery of Bonus Shares to participants of the Incentive Scheme, Loomis shall be entitled to (a) pay an amount corresponding to such failing number of shares in cash in connection with payment of the cash bonus in accordance with A 5 (i), or (b) take such further hedging measures as are necessary to enable the delivery of all Bonus Shares.

The reason for the deviation from the shareholders' preferential rights at transfer of treasury shares is to give Loomis the possibility to transfer Bonus Shares to the employees participating in the Incentive Scheme.

**(ii) Hedging based on share swap agreement**

In case the requisite majority is not achieved as regards the resolution on item B (i) above, it is proposed that the financial exposure of the Incentive Scheme be hedged by the entry of Loomis into a share swap agreement with a third party, whereby the third party in its own name shall acquire and transfer shares in the company to employees participating in the scheme. The cost in connection to the entering into the swap agreement will involve additional costs of approximately SEK 300,000 in comparison with the cost for the repurchase of treasury shares according to (B) (i) above.

**(iii) Voting majority**

For valid resolution by the AGM on the resolution under item B (i) it is required that shareholders representing at least 9/10 of the votes cast and shares represented at the AGM support the resolution.

For valid resolution by the AGM on the resolution under item B (ii) it is required that shareholders representing more than half of the votes cast support the resolution, or, in case of equal voting, the opinion supported by the Chairman of the Board.

**Quota of total number of shares and effects on important key ratios**

The number of shares in Loomis AB amounts to 73,011,780. The Incentive Scheme may lead to acquisition of a maximum of 350,000 shares, which is equivalent to 0.5 per cent of the total number of outstanding shares and 0.3 per cent of the total number of votes in Loomis. Such acquisition may have a positive impact on the earnings per share because of less outstanding shares. One year after the acquisition of the shares, those shares are to be transferred free of charge to the participants, which will have a negative impact on the earnings per share. The number of shares will consequently remain unchanged, but the earnings per share could be

negatively impacted, to the extent the Incentive Scheme causes increased costs. Since the Incentive Scheme is based on the conversion of part of the cash bonus to a share bonus, the negative impact on the earnings of Loomis will be mitigated. The actual effect of this is difficult to assess as it is based on many variable factors. The current warrant scheme implemented in February 2009 may result in a dilution of maximum approximately 3.38% in proportion to the share capital and approximately 2.40% in proportion to the number of votes on a fully dilution basis, calculated as the number of new shares in proportion to the number of existing and new shares.

If the AGM resolves in accordance with B (ii) as the method for transferring of the shares, there will be no impact on the earnings per share, other than the increased costs that the Incentive Scheme could cause.

**Preparation of the proposal**

The above proposal for the Incentive Scheme has been prepared by the Board and the Remuneration Committee in consultation with major shareholders. No senior executive, who may be included in the Incentive Scheme, has participated in the framing of the scheme.

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Stockholm in April 2012  
*The Board*

Loomis AB (publ)