Annual Report 2021

ASSA ABLOY

Experience a safer
and more open world

Experience a safer
and more open world

Contents

The annual accounts and consolidated accounts of the company are included on pages 42–98 and 102 in this document.

Who we are

We are the global leader in access solutions. We are 51,000 employees in more than 70 countries around the world.

How we create value

In an ever-changing world, we develop new products and solutions so that people feel safe and secure and experience a more open world.

How we operate

We are a global company with a uniquely decentralized business model. We have about 1,000 sites including 130 production facilities and 100 R&D sites. Our strategic objectives guide our daily operations.

What we offer

We offer a complete range of innovative access solutions of mechanical and electromechanical locks, cylinders, keys, tags, security doors, identification products and automated entrances, delivered by our five divisions.

Accelerating profitable growth

As markets gradually moved out of lockdowns, we shifted focus to activities that accelerate our long-term growth and profitability. Some of the activities include upgrading the installed base, leading the transition from mechanical to electromechanical access solutions, growing our recurring revenues, growing in emerging markets and creating sustainable solutions through innovation. We also continued with our acquisition strategy. These initiatives will strengthen our position as the leading access solution group in the industry.

The year in brief

Strong recovery

- Sales increased by 8% to SEK 95,007 M (87,649) as many markets recovered strongly after Covid-restrictions eased up.
- Operating income increased by 19% to SEK 14,181 M (11,916) with an operating margin of 14.9% (13.6).

Acquisitions during the year

- In total, 13 acquisitions were completed, and two businesses were divested, contributing to net acquired sales growth of 2% for the year.
- The acquisition of the Hardware and Home Improvement business unit of Spectrum Brands was announced. This will add about 15% to sales and is an important strategic step in developing our residential business in North America. The acquisition is subject to regulatory approval and customary closing conditions.

Large number of new products

- Investments in product development continued and contributed to the launch of more than 400 products. 22% (25) of sales were generated by products launched in the last three years.

Sustainability program making progress

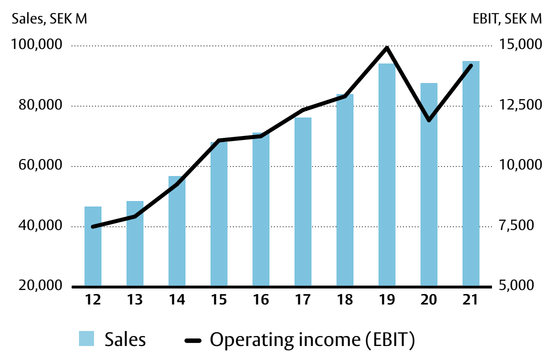
- The implementation of the 2025 sustainability program continued and resulted in improved sustainability performance across the Group versus the base year 2019.
- ASSA ABLOY became a member of the Dow Jones Sustainability Index Europe. The index tracks the performance of the top 20% of the 600 largest European companies in the S&P Global Broad Market IndexSM that lead the field in terms of sustainability.

Key figures	2020	2021	Change
Sales, SEK M	87,649	95,007	+8%
of which: Organic growth, %	-8	+11	
of which: Acquired growth, net total, %	4	+2	
of which: Exchange rate effects, %	-3	-5	
Operating income (EBIT), SEK M[1]	11,916	14,181	+19%
Operating margin, %[1]	13.6	14.9	
Income before tax (EBT), SEK M[1]	11,133	13,538	+22%
Operating cash flow, SEK M	14,560	13,265	-9%
Return on capital employed	13.0	15.2	
Dividend, SEK/share[2]	3.90	4.20	8%

[1] Excluding items affecting comparability.
[2] As proposed by the Board of Directors.

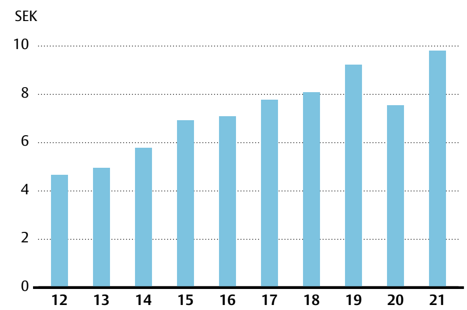
Sales recovered strongly and increased by 8% in 2021 and we shifted our focus to activities that accelerate our long-term profitable growth.

SALES AND OPERATING INCOME (EBIT)[1]



[1] Excluding items affecting comparability.

EARNINGS PER SHARE[1,2]



1 Earnings per share has been restated due to the 3:1 share split in 2015.
[2] Excluding items affecting comparability.

Goals and outcomes

We have set ambitious but achievable financial and sustainability goals. The financial targets are set to balance growth with a return rate that can create substantial value. During the ten years prior to the pandemic, we grew by more than 9% annually with an adjusted operating margin of more than 16%. The sustainability targets set for 2025 are one step on the way for us to become net zero in 2050.

OVER A BUSINESS CYCLE

TARGET 2021 VS. 2019 (BASE YEAR)

10%

Annual growth through a combination of organic and acquired growth

16–17%

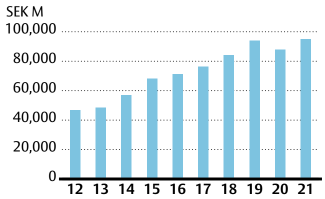
Operating margin[1]

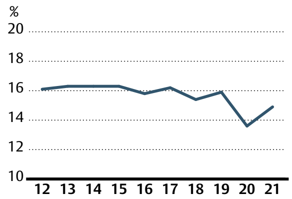
–33%

Injury rate

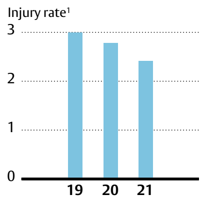
–25%

Carbon footprint absolute

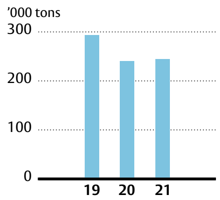




[1] Excluding items affecting comparability.



[1] Number of injuries per million hours worked.



Sales grew by 8% in 2021 driven by record-high organic growth as pandemic restrictions were eased and the activity levels improved in many of our markets. Acquired growth contributed with net 2% in sales, while currency fluctuations had a negative effect on sales of -5%.

The adjusted operating margin was 14.9 (13.6), reflecting a strong recovery as many markets opened up from restrictions and lockdowns. The margin was diluted by our acquisitions and dilutions by 70bps, higher raw material cost and other inflationary cost items.

The injury rate decreased by 13% and has decreased by 20% since 2019. We have worked systematically throughout the organization with actions and awareness campaigns to reduce the injury rate.

In 2021, our greenhouse gas emissions increased by 2% versus 2020 due to the higher activity level. However, compared to the base year 2019, the emissions have decreased by 17% and we are on track to achieve the target for 2025 of a 25% emission reduction in absolute terms versus 2019.

Increased focus on accelerating growth

Demand gradually strengthened in 2021, after a very challenging 2020 due to the outbreak of the pandemic. While the market conditions improved, significantly higher material costs, material shortages and logistical challenges put pressure on our operations. These challenges were addressed thanks to strong execution by our experienced and decentralized operational teams, and we can put a year behind us in which we report strong organic growth and operating profit improvements. During the year, we increased the focus on growth-accelerating initiatives. We also announced the acquisition of the Hardware and Home Improvement business unit of Spectrum Brands, which will enable ASSA ABLOY to expand into the residential segment in North America.

MSEK 700
efficiency savings from manufacturing program

MSEK 95,007
total sales

MSEK 14,181
operating result

Sales recovered strongly in 2021 and increased by 8% to SEK 95,007 M, as our core markets gradually opened up during the year. The organic sales grew very strongly by 11%, net acquired growth was 2% and we had a negative currency effect of -5%. Both demand and operations were impacted by Covid-19 and our operations were also affected by material and component shortages.

Another challenge during the year was the significantly higher raw material costs. In some markets the price of materials increased by more than 200%. This created a big challenge, but we were able to offset most of the effect through operational efficiency measures and strong price adjustments. As a result, the higher raw material cost impacted the operating margin by less than 50bps.

Despite all the operational challenges, total operating profit grew 19% to SEK 14,181 (11,916) M and the adjusted operating margin increased 1.3 pts to 14.9%. Operating cash flow was strong, at SEK 13,265 (14,560) M, despite higher working capital.

Divisional development

Demand returned gradually during the year and adjusted for currency and acquisitions, sales were back to or above pre-pandemic levels in EMEIA, Americas and Entrance Systems by mid-2021.

The recovery was strong in EMEIA where organic sales grew 13% during the year. This followed continued solid demand in the residential segment and a strong recovery in non-residential demand.

The Americas division grew 14% organically during 2021 with continued strong demand in Latin America and the residential segment in the US, while the recovery of the commercial and institutional demand drove our growth towards the second half of the year. Raw material costs increased the most in the US, but due to strong price management and cost actions, most of the inflation pressure was offset.

Despite Asia Pacific continuing to be impacted by lockdowns and restrictions throughout most of the year and the building industry slowdown in China, we managed to report positive organic sales growth with improved profitability.

In Global Technologies, volumes also remained below pre-pandemic levels, particularly in the travel-related verticals. Component shortages also impacted sales negatively in the second half of the year. It is, however, encouraging to see that the demand is gradually increasing and that our mobile key solutions are getting more traction. This is a trend we expect to continue.

Finally, Entrance Systems performed very strongly in 2021, growing organically by 14% in combination with historically high margins. The new organization which was implemented in 2020 and the successful integration of agta record contributed to the positive performance.

Accelerating profitable growth

Our strategy, with its four strategic objectives, our decentralized organization and our focus on protecting the bottom line and cash flow have, with strong operational execution, led us successfully through the pandemic. As mobility gradually increased, we shifted our focus to activities that accelerate our long-term profitable growth.

An important driver is how we proactively are upgrading the installed mechanical base to more value-adding electromechanical products and solutions with accelerated investments in product development as a strong enabler. R&D accounted for 4% of our sales and resulted in more than 400 new product launches in 2021. Organic sales growth from our electromechanical products was very strong, and this also provides opportunities to grow our recurring revenue from licenses and software. We have seen a strong acceleration of our software as a service business over recent years and it now makes up around 5% of total sales. We are still at the beginning of the transformation to smarter and even more user-friendly access solutions and there are almost unlimited opportunities.

The increased focus on sustainable buildings and our investments in a sustainable product offering are other important growth drivers. In 2021, 'green' specification sales grew faster than traditional specification sales, and this trend will further accelerate.

We also have many untapped opportunities in the emerging markets. All divisions have specific strategies in place to increase our presence and growth in these markets.

In a world with more connected products, there is a greater need for cross-divisional collaboration. Our 'Together We' program strives to realize more synergies across entities, and it is good to see how this collaboration has resulted in new products and sales growth. The Linus smart lock in the EMEIA region and the Incedo access control platform are two good examples of strong internal collaboration.

Acquisitions – an important driver for growth

In addition to ongoing activities to accelerate our organic growth, we continue to deliver on our successful acquisition strategy. During 2021, we finalized 13 acquisitions, which combined contributed to 4% of our sales. In particular, we announced the acquisition of the Hardware and Home Improvement business unit (HHI) of Spectrum

Brands, which is a leading provider of security, plumbing, and builders' hardware products to the North American residential segment. HHI will bring strong, well-known brands and high quality, innovative products to our residential portfolio in North America.

Sustainability

Our work with sustainability is an avenue to opportunities that both accelerates our sales and reduces our emission footprint and operational costs. We are making good progress on our 2025 sustainability program. Our health and safety record continues to improve and we are also on track to deliver significant absolute emission reductions. Further emission reductions will be achieved through a combination of energy efficiency improvements at our sites, consolidation of our manufacturing footprint and a move to more renewable energy. In our product development processes, we use our Sustainability Compass, which improves product performance and reduces the environmental footprint of our new products and solutions. Sustainability is embedded in our strategy and guides us in everything we do.

Material shortages, inflation and the Covid-19 pandemic have been significant challenges in 2021 and affected our daily lives to a large degree, but they have not changed the fundamental drivers of our industry. Instead, we see that many businesses and individuals are shifting more and more to electromechanical products and solutions. We will therefore continue to target 10% annual growth combined with an operating margin of 16-17% over a business cycle.

Thanks to the efforts of our employees and our loyal customers, our position as the leader of access solutions has strengthened. We look forward to launching many new products and solutions to help people feel safe, secure and experience a more open world.

Thank you!
Stockholm, 2 March 2022

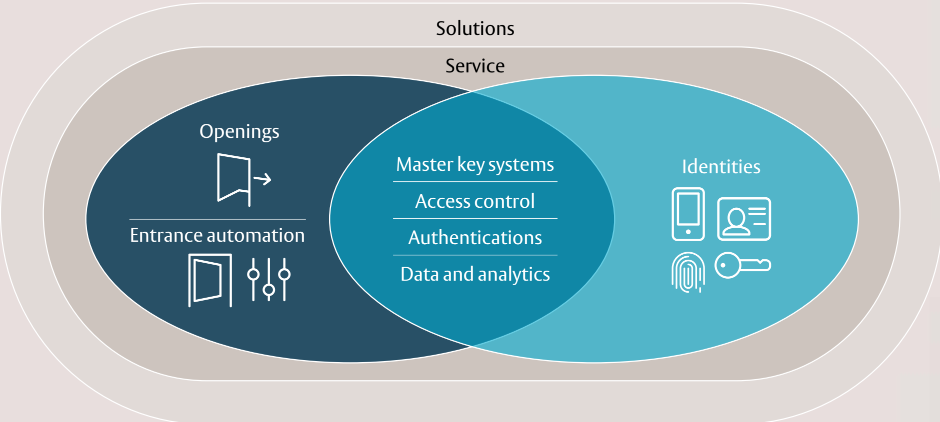
Nico Delvaux
President and CEO

The global leader in access solutions

The ASSA ABLOY Group is the global leader in access solutions. Every day, we help billions of people to experience a more open world with innovative solutions that enable safe, secure and convenient access to physical and digital places.

Access solutions for every need

We offer a complete range of access solutions with market-leading positions in areas such as mechanical and electromechanical locking, access control, identification technology, entrance automation, security doors, hotel security and mobile access. Our offerings are delivered both separately and together as part of a full-service access solution.



A decentralized organization

We are a global company with a uniquely decentralized business model that enables us to quickly meet and deliver on customer needs. Our local business units know local standards inside-out and optimize resources and products according to the local conditions and demand.

The regional divisions manufacture and sell mechanical and electromechanical locks, digital door locks, cylinders and security doors, adapted to the local market's standards and security requirements. The global divisions manufacture and sell access solutions, identification products and entrance automation in the global market. Read more on pages 34–41.

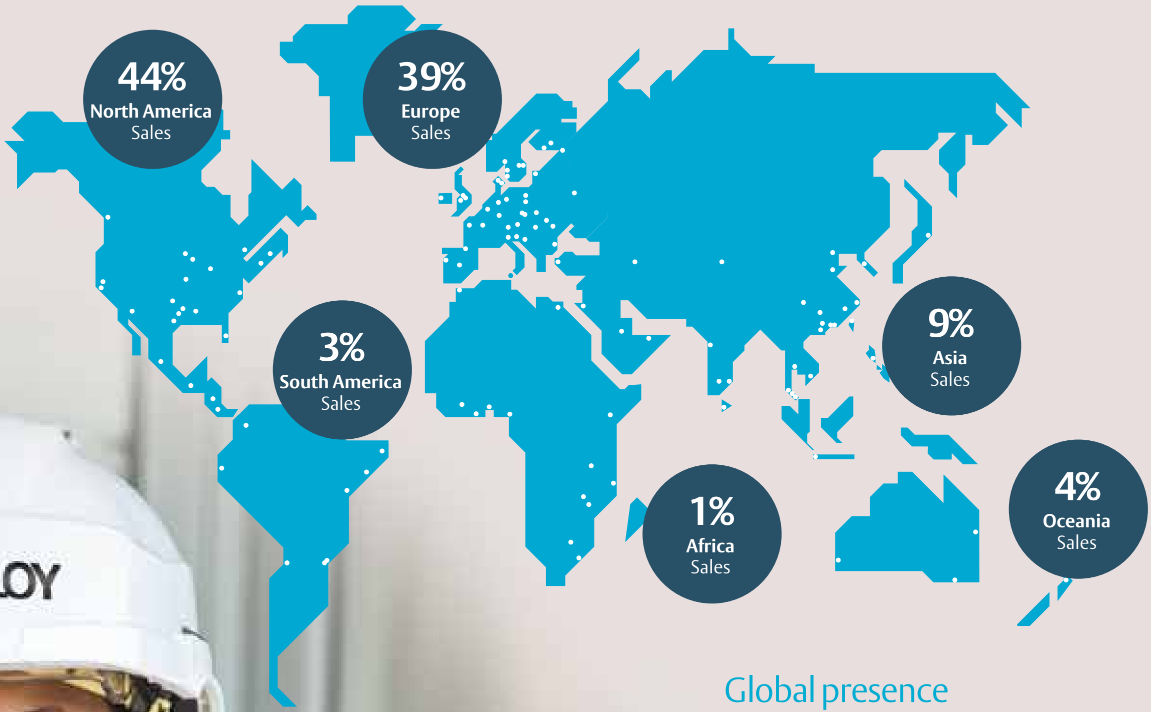
Regional divisions			Global divisions	
Opening Solutions EMEIA	**Opening Solutions Americas**	**Opening Solutions Asia Pacific**	**Global Technologies**	**Entrance Systems**

Strong brands

Our brands play an important role in creating trust, loyalty and differentiation. We use a combination of master, endorsed and standalone brands to reach all our audiences. ASSA ABLOY is our employer brand and main commercial brand, HID covers secure identities and access management, and Yale covers residential products and services.

ASSA ABLOY
Group brand and employer brand

ASSA ABLOY HID Yale
Master brands



Global presence

○ Country sites and larger locations

In total, we have about 1,000 sites, comprising more than 100 R&D sites and 130 production facilities. The other sites are distribution centers and offices. ASSA ABLOY has operations in more than 70 countries.

Electromechanical on the rise

The Group sees fast-growing demand for electromechanical products and solutions. Since 2011 these have increased from 22% to 30% of Group sales. Mechanical products continue to grow, but electromechanical products are growing considerably faster.

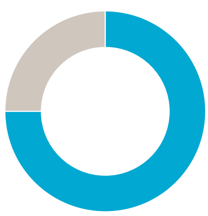
Sales by product group

- Mechanical locks, lock systems and fittings, 23%
- Entrance automation, 31%
- Electromechanical and electronic locks, 30%
- Security doors and hardware, 16%

Together we create access

51,000	>70	6%	9,500
employees	countries	of our employees work in R&D	patents

Customer split

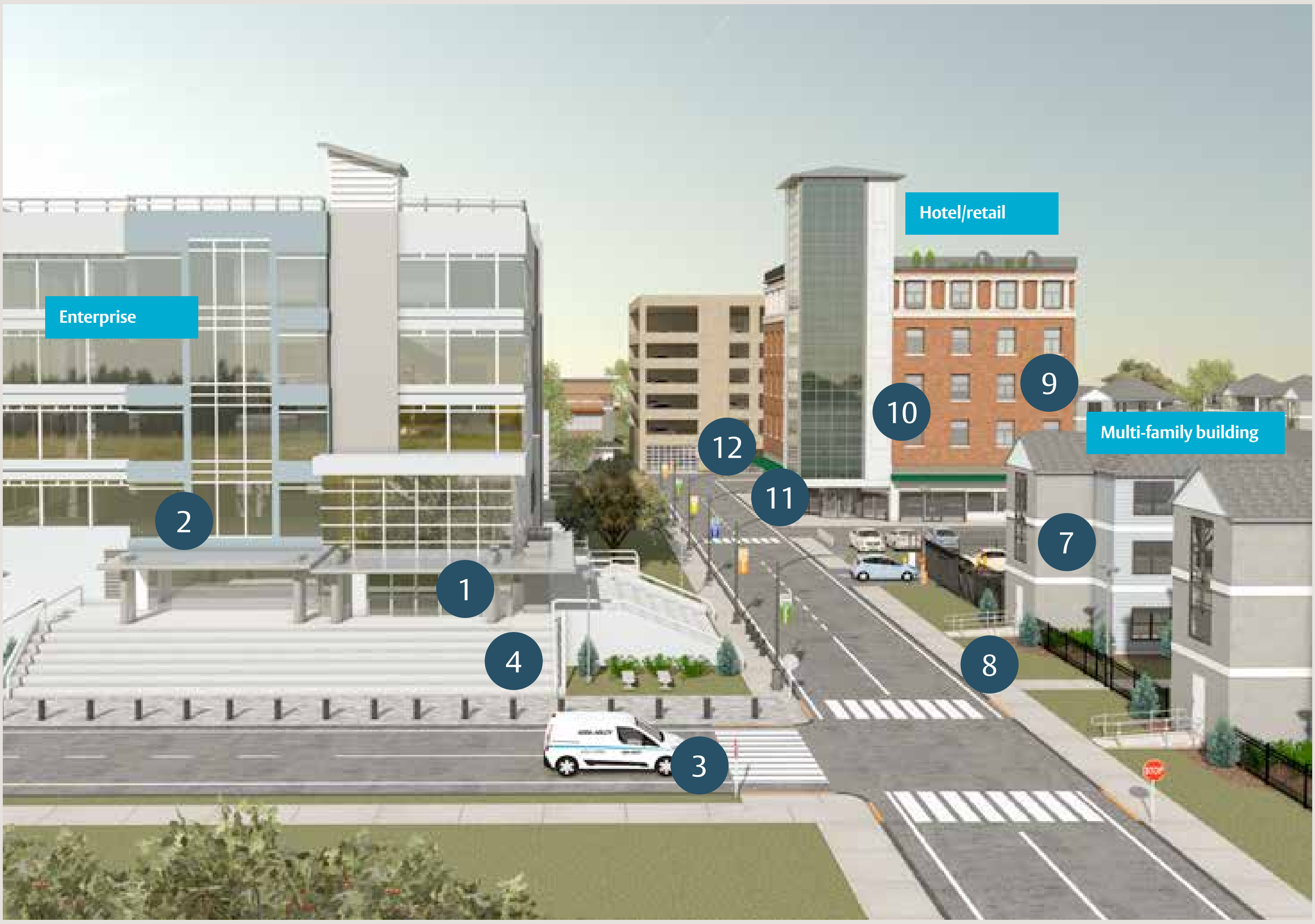


- Commercial, 75%
- Residential, 25%

New construction/Aftermarket

- New constuction, 33%
- Aftermarket, 67%

ASSA ABLOY in your daily life



We are part of people's everyday life all over the world! We provide access solutions from the perimeter to the core of buildings. You will find ASSA ABLOY's products and solutions in your home, at work or school, when you shop or travel. Some products are very visible to you like keys, locks and doors, while other products are embedded in solutions like e-passports and identity solutions.

Enterprise

1 Automatic sliding doors are particularly suitable for entrances and indoor areas with large pedestrian flows. Automatic sliding doors allow you to enter a building conveniently without manually open doors.

2 Inside the building, there are mechanical and electromechanical key systems, software and solutions for access control. There are also systems and solutions for secure issuance and management of identities with specific security requirements, such as staff ID cards. Positioning solutions provide a secure and digital solution to address social distancing, workplace optimization and contact tracing to locate, notify and isolate if employee health is compromised.

3 ASSA ABLOY has a complete offering for service, maintenance and upgrading of automatic entrances and loading docks to enable a more seamless customer experience.

4 Bollards and other safety devices protect pedestrians from motor vehicles. The various models can be permanently installed, portable or retractable, and they can be integrated in security and alarm systems.

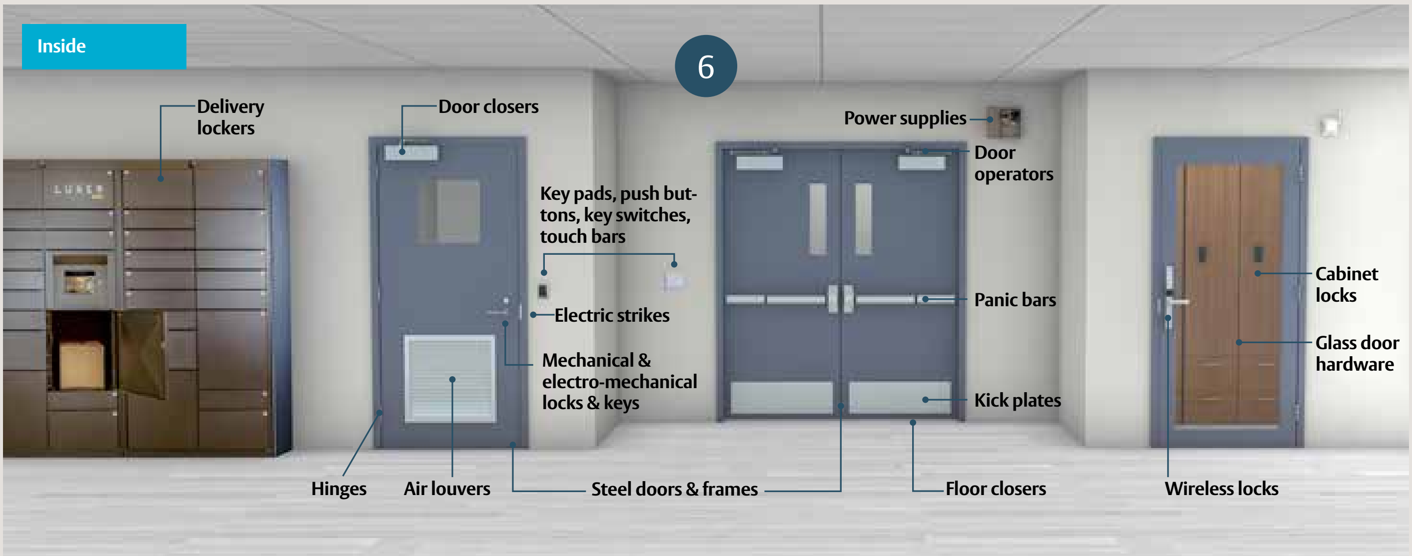
5 Mobile keys, physical access control systems including readers and controllers to manage access in the building.

6 Electromechanical locks and other hardware such as security-rated doors, frames and delivery lockers work together with physical access control systems, including readers and controllers to manage access and package deliveries.

Multi-family building

7 Complete solutions for multi-familiy buildings, ranging from mechanical locks to sophisticated, customized access control systems. Digital door locks can easily be opened with a code or a smartphone app. The app enables controlling the lock remotely to let in authorized people and to, for example, open the door for service and deliveries directly into the home.

8 High-security fences and gates protect against unauthorized entry.



Hotel/retail

9 Complete access solutions for retail premises and hotels. For the hospitality industry, our offering includes mobile access solutions, access management systems, staff safety, in-room safes and energy control.

10 With mobile access, hotel guests can use a smartphone to directly book a room. Secure Seos technology then sends a digital key to the guest's mobile phone, enabling the guest to bypass the front desk and go directly to the room and unlock the door. The solution is connected to the hotel's booking and security systems, and the digital key will be deleted at check-out.

11 Revolving doors create spacious entrances and are ideal when climate control is a priority. Advanced sensor technology ensures functionality in the door's features, while conveniently controlling safe traffic flows and providing superior separation of indoor and outdoor climates. Side doors are added for increased accessibility and rapid evacuation.

12 Garage doors, bars and gates are secure and easy to connect to the building's access control system.

How we create value

Strong trends drive our industry

The access control industry is subject to strong underlying trends which drive growth and demand for our products. The basic need for safety and security is one of the most fundamental needs. Convenient and secure access solutions, combined with an increased focus on energy efficiency in buildings, will drive profitable growth in our industry for the foreseeable future.

"The shift to electromechanical and digital solutions enable us to offer even more convenient customer solutions.

Market overview

The access solution industry is an ever-evolving industry that today has a global value of more than USD 100 bn annually. It has a history of stable growth, driven by the development of more secure, innovative access solutions with an increased focus on convenience and ways of improving the sustainability performance of buildings.

Through continuous evolution, local standards have emerged, driven by local needs. As a result, the market for access solutions is fragmented, particularly in emerging markets. At ASSA ABLOY, we secure buildings from the perimeter to their shell and core. We are the largest provider of access solutions, but due to the fragmentation of the market our global market share is still low, meaning that we have significant potential to grow.

Growing trends

There are a number of trends driving increased demand for access solutions, including meeting the individual's most basic need for safety and security. The shift to electromechanical and digital solutions enables us to offer even more convenient customer solutions and also add more service-based solutions offerings. At the same time, the demand for more sustainable and resilient products is fuelled by the strong growth in green buildings and more sustainable urban environments around the world.

Industry trends

ASSA ABLOY's response:

New technologies

Emerging technologies and technical innovations are enabling the development of convenient new solutions for customers and providing new business opportunities. The change of the product mix to more electromechanical products will continue and bring with it many business opportunities, while supporting recurring revenues and software as a service.

We have increased our investments in R&D and shifted to more software development. The proportion of electromechanical products that we sell has increased from 22% to 30% over the last ten years.

Local regulations

ASSA ABLOY is one of the few global players in the industry able to supply access solutions that comply with the local markets' constantly changing regulations, standards and requirements. This creates good customer relations, market demand and entry barriers for competitors.

We have a strong local presence with local manufacturing in both mature and emerging markets. Currently we have operations in more than 70 countries. This enables us to quickly deliver and respond to local customer demands.

Megatrends

Urbanization
Urbanization is taking place around the world, with the most apparent shifts in the emerging markets where an increased need for housing, workplaces and commercial buildings drives demand for access solutions. For example, the United Nations projects that the population living in urban areas will increase by 2.5 billion people by 2050. This is fueling the demand for access solutions.

Demand for security
The basic need for safety and security is fundamental. In a world with a high perception of uncertainty, the demand and need for secure, convenient and efficient access solutions is increasing – both in the residential and non-residential segments. The growth is further supported by the demand for convenient and time-efficient access solutions.

Sustainability
As concerns for the environment grow, customers are looking for sustainable solutions. This increases the demand for more green buildings and access systems. For example, about 50%[1] of all new commercial buildings are now expected to be certified according to green building standards. This also requires more transparency regarding the environmental impact of products, production and working conditions. There is also increasing regulation for more energy-efficient buildings and access solutions.

Digitalization
The rapid development of digital solutions continues in all areas of society and places demands on new digital technologies, including access solutions. This provides opportunities to develop new, more convenient and secure access solutions. One such opportunity is remote management, where homes, offices and other premises can be monitored, and access can be managed remotely. In addition, premises are more frequently protected via interconnected systems that both increase the level of security while also enhancing efficiency and accuracy.

ASSA ABLOY's response:

We invest in markets where we see urbanization taking place.

As the global leader in access solutions, we provide state-of-the-art products and services related to openings and entrance automation as well as trusted identities with the safety and security of our customers in mind.

We are developing products that help our customers reduce their environmental impact and offer Environmental Product Declarations (EPDs) for important product groups. EPDs make our products more attractive because they help our customers to achieve higher ratings in their green building certification. In 2020, we committed to setting science-based targets illustrating our commitment to reduce our own emissions as well.

Given our global leading position and strong R&D resources, we are at the forefront of developing new solutions to meet the ever-changing needs for secure and safe access solutions.

[1] Source: Dodge Data & Analysis, World Green Building Trend 2018.

We help people feel safe, secure and experience a more open world

Every day, we help billions of people to experience a more open world with innovative solutions that enable safe, secure and convenient access to physical and digital places. By responsibly using human capital, natural resources and capital, we continuously create sustainable value for our shareholders and other stakeholders. Together we create value!

Our resources

51,000
employees in more than 70 countries around the world. We are truly global, uniquely local

2,800
employed in R&D working with our sustainable innovations

190
strong brands and diversified product portfolio

9,500
patents

130
efficient production and assembly facilities

~50,000
suppliers for direct material and indirect services. We have strategic and cost efficient suppliers

SEK 70 bn
in shareholder equity

How we operate

We are a global company with a uniquely **decentralized business model** with about 1,000 sites including 130 production facilities. We use a **multi-brand strategy** to leverage our global and local strengths and address different market- and customer segments and routes to market. Acquiring relevant businesses to continue our growth is key in our strategy.

Our strategic objectives

The Group's strategic direction is to lead the trend towards the world's most innovative and well-designed access solutions.

Our strategic objectives are executed locally, which gives a high level of autonomy in decision-making so we stay close to our customers.

Growth through customer relevance
We believe that continued profitable growth starts with understanding our customers.

Product leadership through innovation
Innovation is an enabler for everything we do and is the most important driver for our organic sales growth.

Cost-efficiency in everything we do
All activities must lead to improved efficiency where realized savings can be invested in innovation and activities that accelerate our growth.

Evolution through people
Developing our people, and growing their careers within ASSA ABLOY, is how we secure the Group's future success and growth.

Sustainability is part of everything we do throughout ASSA ABLOY's value chain. It is an important element in innovation, sourcing, production, employee development and in ASSA ABLOY's products and solutions as well as in the Group's relationships with all stakeholders.

Together we are guided by our core values and beliefs

Empowerment
We have trust in people

Innovation
We have the courage to change

Integrity
We stand up for what's right

A more open world

Value creation to stakeholders in 2021

Shareholders and investors
- Dividends and capital appreciation

SEK 4.3 bn
dividend paid

Employees
- Professional development
- Safe and stable workplace
- Inclusive workplace with equal opportunities

SEK 27.9 bn
in salaries and other remuneration

Customers
- Increased security and competitiveness for our customers
- Sustainable products with environmental product declarations

>400
new products launched

Suppliers and partners
- Technological development
- Stable partner

SEK ~45 bn
in supplier payments

Society
- Increased safety and security
- Reduced environmental impact
- Paid taxes and employment

SEK 2.6 bn
in income tax

Our offering

Our aim is to deliver **safety, security and convenience.** We offer a **complete range of unique and innovative access solutions.**

30%
Electromechanical products

31%
Entrance automation

16%
Security doors and hardware

23%
Mechanical locks

Accelerating towards a sustainable future

ASSA ABLOY has made a long-term climate commitment to reduce carbon emissions in line with the 1.5-degree ambition level of the Paris agreement. Our work with sustainability will further improve our competitiveness and resilience as an organization.

The UN Sustainable Development Goals

ASSA ABLOY is a strong advocate of all 17 UN Sustainable Development Goals (SDGs), with a focus on six of the goals that have the most material impact. Our Sustainability program to 2025 was developed to ensure our targets and ambition contribute directly to the SDGs.

According to the World Green Building Council, buildings are responsible for 38% of global energy-related carbon emissions and 50% of all extracted materials. As the global leader in access solutions, ASSA ABLOY has an important role to play in leading our industry to reduce emissions across the entire value chain. We believe we can have a great impact and support the global goals by focusing on the following six SDGs:

- 6 **Clean water and sanitation**
- 8 **Decent work and economic growth**
- 9 **Industry, innovation and infrastructure**
- 11 **Sustainable cities and communities**
- 12 **Responsible consumption and production**
- 13 **Climate action**

Achievements in 2021

ASSA ABLOY is accelerating towards a sustainable future. We committed to setting science-based targets in 2020 and by 2021 we were deep into the target setting process, analyzing our footprint and the improvements we need to make across our entire value chain. However, we are not waiting until our targets are ratified to start working towards achieving the goal. To reduce our emissions, the Group is taking a multifaceted approach: Within our operations, we continue to roll out our Green Team Playbook while driving major overhauls of some of our most energy- and carbon-intensive sites. Through sustainable innovation and our Sustainability Compass, we focus on reducing the embodied carbon of our solutions and making them more energy-efficient, and energy-independent where possible through technologies such as energy harvesting. This enables us to support our customers in reducing their environmental impact, making us more relevant to our customers. We are also working closely with our material suppliers to identify and implement emission reduction opportunities.

Climate and carbon emissions reduction is a major focus area for ASSA ABLOY, though we remain firmly focused on our broader sustainability targets as well to reduce our water consumption, minimize our waste, and operate in a responsible way globally.

For more details on our sustainability program 2025, our work towards the SDGs, and our continuing efforts to further improve health and safety in the organization, please see our Sustainability Report.

READ MORE IN OUR SUSTAINABILITY REPORT

2025

Sustainability targets 2025 vs. 2019
Our sustainability program to 2025 focuses on the most material areas, ensuring we have the biggest impact where it is needed most. Targets include carbon footprint (-25%), water intensity (-25%) and injury rate (-33%) amongst others.

2030

Science Based Targets
ASSA ABLOY has committed to setting science-based targets, limiting a global temperature rise to 1.5°C, by halving absolute carbon emissions by 2030.

2050

Net zero
ASSA ABLOY has committed to reaching net-zero no later than 2050.

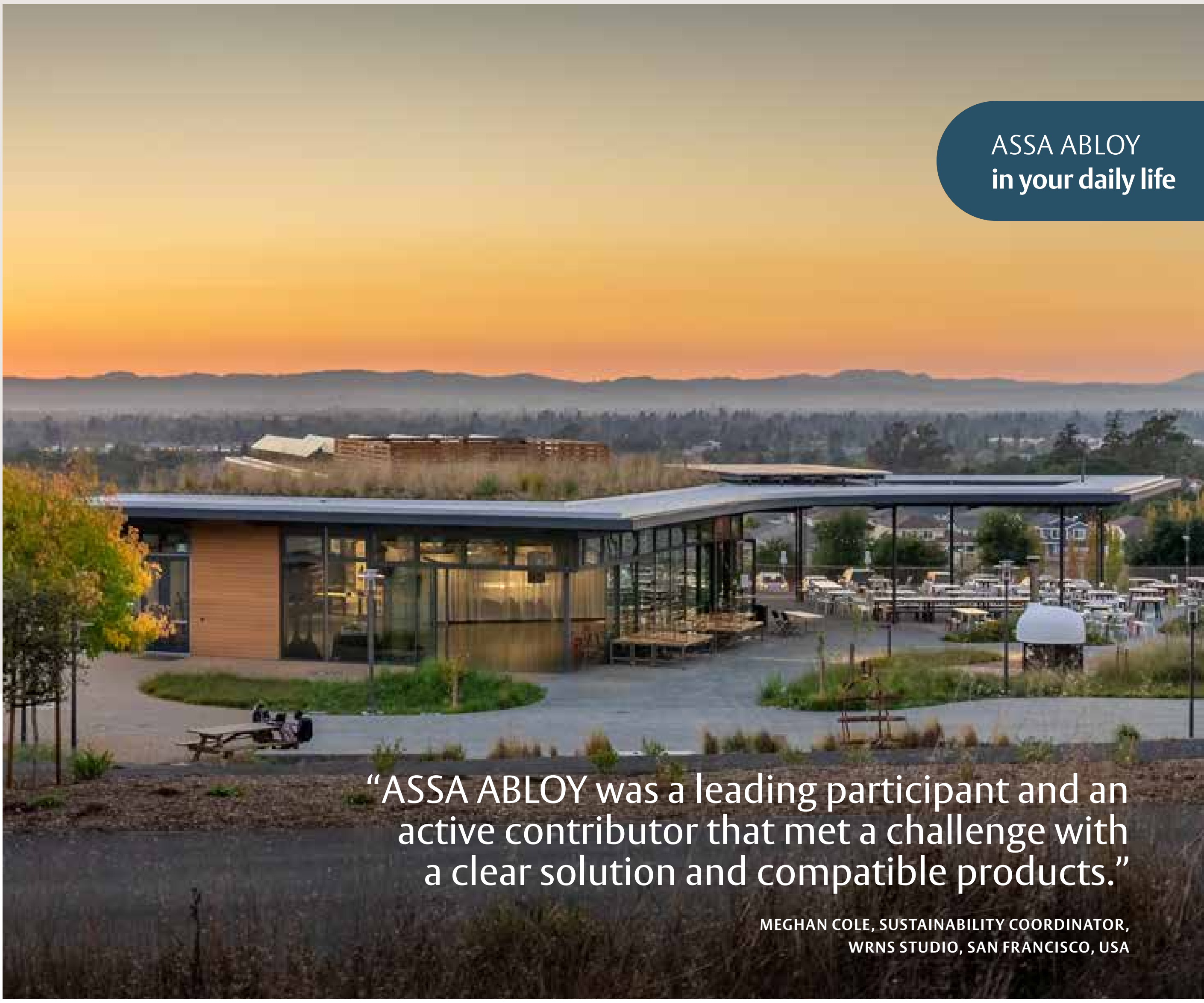


Photo: © Celso Rojas 2021

> "ASSA ABLOY was a leading participant and an active contributor that met a challenge with a clear solution and compatible products."
>
> MEGHAN COLE, SUSTAINABILITY COORDINATOR, WRNS STUDIO, SAN FRANCISCO, USA

Sustainable product leadership at California's Sonoma Academy

Q *What are the specifics of this project and design initiatives?*
A – Located in southeastern Santa Rosa, California, the Sonoma Academy Janet Durgin Guild & Commons is a testament to the future of sustainability. One specific goal of this project was to avoid all Red List ingredients/chemicals. To accomplish this, every single product and material used in construction had to be vetted and often, alternatives found. It's the first project to achieve both LBC Materials Petal[1] and Zero Carbon Certification by the International Living Future Institute (ILFI).

Q *What role did sustainability play in the architectural design?*
A – Sonoma Academy owners wanted to expose and educate students on the importance of sustainability, and what better way to do that than in the building itself? The materials vetting process was difficult, as it involved many different classes of products. We used doors and accessories with LBC Declare labels which are hard to come by and require a lot of work to reach that level. ASSA ABLOY was a leading participant in that program and an active contributor that met a challenge with a clear solution and compatible products.

Q *Why was ASSA ABLOY chosen for the project?*
A – ASSA ABLOY's door frame and door hardware products were used in the Guild & Commons facility and its participation in the Declare Program made procuring ingredient-transparent materials simple. Better yet, ASSA ABLOY products offered Declare labels demonstrating they were free of Red List ingredients and compliant with both VOC[2] and CDPH[3] emissions targets. The project was pleased to have found ASSA ABLOY an ally in creating healthier materials and spaces. Every project can include sustainable attributes and have an impact on the client's life or the industry at large.

CASE FACTS

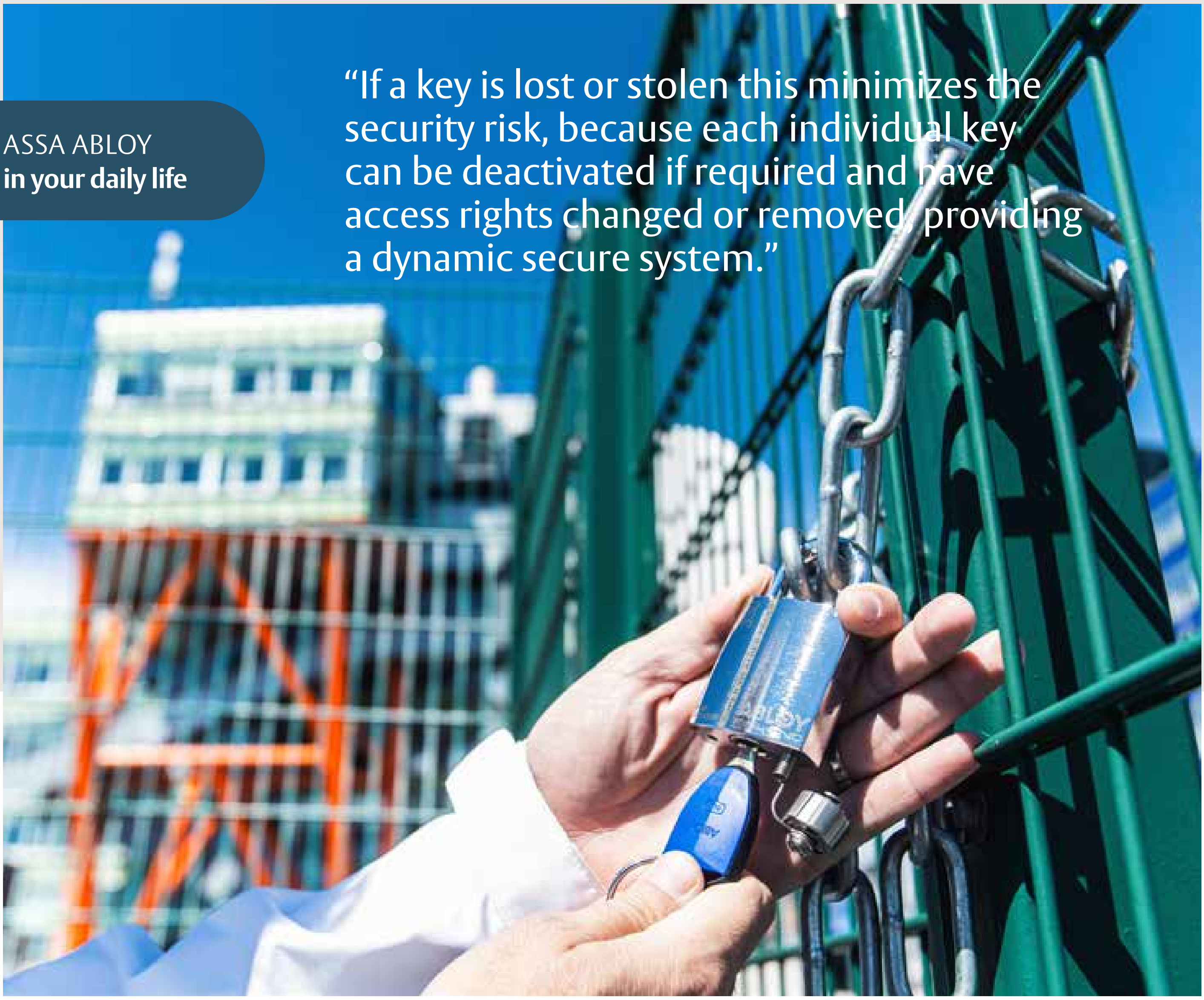
Project: Sonoma Academy, Santa Rosa, California.

Sustainability accreditations: Living Building Challenge Materials Petal and Zero Carbon Certified; LEED v3 Platinum Certified; WELL Building Standard Education Pilot Certified. The project is also certified under the following LBC Petals: Place, Energy, Health & Happiness, Materials, Equity and Beauty.

ASSA ABLOY Products: Door openings, frames, hinges and electrified hardware.

1 The intent of the LBC (Living Building Challenge) Materials Petal is to help create a materials economy that is non-toxic, ecologically restorative, transparent and socially equitable.
2 Volatile Organic Compounds.
3 California Department of Public Health.

ASSA ABLOY
in your daily life



> “If a key is lost or stolen this minimizes the security risk, because each individual key can be deactivated if required and have access rights changed or removed, providing a dynamic secure system.”

UK Power Networks upgrades its locking systems

ASSA ABLOY’s business unit Abloy UK has been awarded a 5-year contract with UK Power Networks to upgrade the current mechanical locking systems to a combined electromechanical and mechanical locking solution, for its high and low voltage distribution networks.

Q *Who is UK Power Networks?*
A – UK Power Networks is the UK’s biggest electricity distributor, delivering power to 8.3 million homes and businesses across London, the South East and the East of England. It keeps power flowing to 19 million people.

Q *What kind of solution did it choose for its site security and access management?*
A – Products specified include a mix of Abloy’s PROTEC2 CLIQ® electromechanical and ABLOY PROTEC2 mechanical padlocks and cylinders, which will be controlled and administered using the new CIPE Manager operating system. Abloy will supply around 9,500 padlocks per annum, together with programmable PROTEC2 CLIQ Bluetooth Low Energy keys.

Q *Why do customers choose Abloy?*
A – CLIQ® offers high security and flexibility that supports the complex workflow of organizations in the energy sector by enabling audit trails to be generated for individual cylinders, padlocks, keys and system users.

Q *How does Abloy’s solution help with third-party access needed for critical sites?*
A – The CLIQ® keys are programmable, so a temporary contractor can be issued with a key that permits entry to specific sites for a limited time period. After the authorization period ends, the key cannot open the lock. If a key is lost or stolen this minimizes the security risk, because each individual key can be deactivated if required and have access rights changed or removed, providing a dynamic secure system.

CASE FACTS

Project: Upgrade of UK Power Networks locking systems in south east England and London, including 29,000 km^2, 130,000 substations and 189,000 km of overhead lines and underground cables.

Solution: Abloy’s PROTEC2 CLIQ, ABLOY PROTEC2.

Strategic overview

The Group's vision is to be the global leader in providing innovative access solutions. Our purpose is to help people feel safe, secure and experience a more open world. Our core values, beliefs and strategic objectives help guide us.

Purpose

To every day help people feel safe, secure and experience a more open world

Vision

To be the global leader in providing innovative access solutions that help people feel safe and secure so that they can experience a more open world

Mission

- Building sustainable shareholder value
- Providing added value to our customers, partners and end-users
- Being a world leading organization where people succeed
- Conducting business in an ethical, compliant and sustainable way

Financial targets

Growth

5% organic

5% acquired

=

10% total growth

EBIT

16–17%

Our strategic objectives

Growth through customer relevance

Product leadership through innovation

Cost-efficiency in everything we do

Evolution through people

Sustainability is part of everything we do throughout ASSA ABLOY's value chain.

Core values and beliefs

Empowerment
We have trust in people

Innovation
We have the courage to change

Integrity
We stand up for what's right

Strategic activities in 2021

To accelerate our profitable growth in line with the financial targets, ASSA ABLOY works with a number of strategic activities. Continued investments in product innovation, strengthening the common culture, and initiatives to reduce our cost base are key enablers for our strategic initiatives. These are described in more detail on pages 24–33.

Demand in many markets improved gradually in 2021 and was back to, or even above, pre-pandemic levels in three of our five divisions. Therefore, we gradually shifted our focus to accelerate our profitable growth. One important activity is the upgrading of the installed base to lead the transition from mechanical to electromechanical solutions. The pandemic has accelerated this transition, providing opportunities to accelerate our recurring revenue from licenses and software. Another driver is growth in the emerging markets, where we have many untapped opportunities. The shift to more sustainable solutions will also drive growth.

Continue with successful acquisitions

Acquisitions are a vital part of our growth strategy. Since ASSA ABLOY was founded in 1994, we have acquired more than 300 businesses that have generated significant value. In 2021, we announced our to date largest acquisition ever of the Hardware and Home Improvement business unit of Spectrum Brands, which will contribute about 15% in annual sales. The businesses that we acquire are often leading access providers in their respective markets with well-established customer bases and brands with strong growth potential to contribute to our financial targets. We see many opportunities to continue our acquisition journey and our divisions have identified more than 900 potential acquisition targets globally.

Upgrade the installed base

One strong growth driver is the transition from mechanical products to electromechanical products and solutions. Before the pandemic, our electromechanical products grew by more than 10% annually in our regional divisions. As ASSA ABLOY has the largest installed base of access solutions globally, the transition to electromechanical products and solutions provides us with great opportunities to grow. The largest opportunities are in the commercial and institutional segments that comprise the largest portion of our sales. The change in the product mix will continue and provide many opportunities. At the same time, this transition will support recurring revenues and software monetization.

Generate more recurring revenues

The aftermarket represents two-thirds of our sales, providing a stable recurring demand through renovations, replacements and upgrades, as well as services. New construction, which constitutes about one-third of our business, is more cyclical in nature. We aim to generate more recurring revenues through software licenses, identity management and service agreements as the demand for electromechanical, digital and smart solutions increases. Connected products, new features and subscription services will continue to accelerate profitable growth in the future.

Accelerate growth in emerging markets

Emerging markets also offer significant growth potential with many untapped opportunities. During the last ten years, the sales in our emerging markets, excluding China, has grown about 40%. Our ambition is to grow more than 10% in the emerging markets in the coming years through a combination of organic growth and acquisitions. Having

the right people with local knowledge of the market will be essential for reaching our target.

In China, we have been consolidating our organization, including brands, R&D centers and operations. This will help position us for profitable growth also in the commercial and institutional segments and increase our exposure in the aftermarket.

Sustainable solutions

Sustainability will be vital to economic and industrial development in the coming decades and is clearly a driver for growth. Our customers' expectations in relation to sustainability are constantly increasing. Studies indicate that 70% of consumers search for green products and about 50% of all new commercial constructions are built according to green standards. Within our product development, we not only look at the product's sustainable footprint, but we also develop products that contribute to the customer's total sustainability solution. Our 276 verified Environmental Product Declarations (EPDs) guide our customers in making sustainable decisions. These EPDs give us an advantage over competitors and are an important differentiator.

Demands on our own production are increasing as more of our customers commit to science-based targets. We have set ambitious targets for 2025 and are committed to the science-based targets initiative. These targets will be achieved through efficiency improvements in our operations and supply chain, enabled by technology improvements.

"

The strategic activities help us accelerate our profitable growth in line with our financial targets.

Strategic objective #1

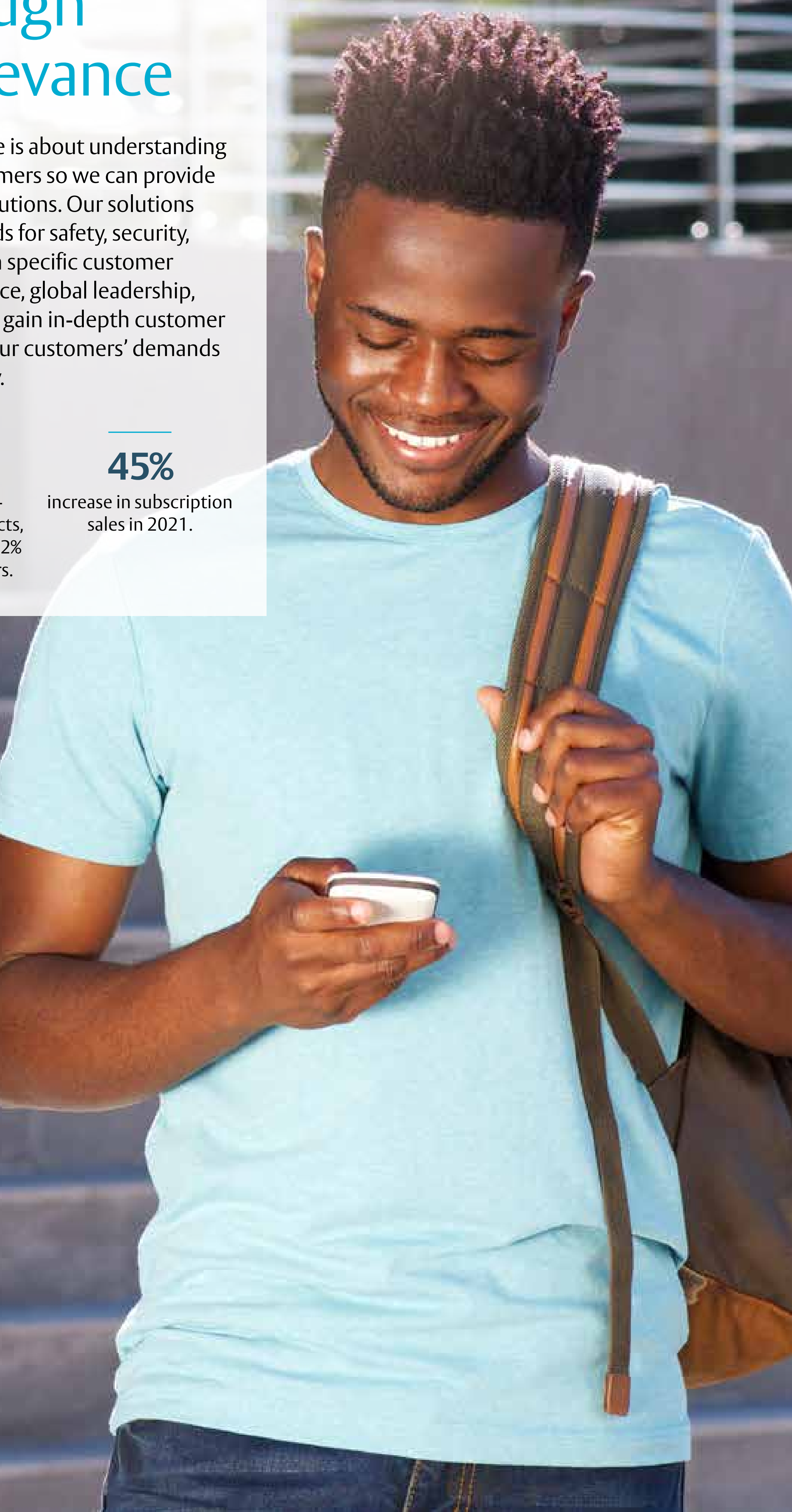
Growth through customer relevance

Growth through customer relevance is about understanding the ever-shifting needs of our customers so we can provide them with the most appropriate solutions. Our solutions are designed to address the demands for safety, security, sustainability and convenience from specific customer segments. Through our local presence, global leadership, processes and tools, we continue to gain in-depth customer insights and knowledge to exceed our customers' demands and fuel the growth of our company.

No. 1
in the world within access solutions.

30%
share of electro-mechanical products, an increase from 22% to 30% in ten years.

45%
increase in subscription sales in 2021.



Market insights and segmentation

We continuously monitor trends, customers, and our competitors to increase our market insights. We have also segmented our markets into end-user verticals to gain a deeper understanding of the specific needs of customers and end-users so we can deliver more customized and targeted products and solutions.

Acquisitions help us increase our customer relevance and cater to specific markets. For example, the acquisition of Invengo Textile Services, which tracks and monitors linen and textile assets, reinforces our offering within the global RFID ecosystem. Another example is the acquisition of Capitol Door Service, a leading pedestrian door distributor and service company, that will help us grow our position in the US.

Institutional and commercial markets represent about 75% of total sales, while smart locks and the smart home trend are driving sales in the residential market, which accounted for 25% of total sales in 2021.

The aftermarket continues to represent a large portion of our sales – 67% – providing stable demand through renovations, replacements and upgrades, as well as services. New construction accounted for about 33% of sales in 2021, driven primarily by growth in the residential market and certain non-residential segments.

Seamless customer experiences

Offering a world-class customer experience is a key element in our efforts to be the brand of choice and nurture loyal customers. Our goal is to ensure that all touchpoints, whether digital or physical, are as seamless as possible.

Our digital platforms make it easier for customers to explore, buy, install and service our products. In 2021 we completed the implementation of a single application to further enhance the customer experience with our Yale smart products. Our Yale Access app, available in 174 countries, allows seamless interconnectivity with smart home products and services from external vendors, including Google Assistant, Amazon Alexa, and Philips Hue.

Partnerships open new channels to customers and together we can develop innovative product features that enhance our customer offering and accelerate growth. Our Yale smart locks, for example, are integrated with Google's smart home software in a solution specifically designed to seamlessly communicate with Google Nest solutions.

We are further improving the customer experience through dedicated resources and investments in user interfaces and other tools. We constantly measure customer experience across different touchpoints using Net Promoter Score® (NPS®) or CSAT (customer satisfaction) surveys, and follow up by implementing changes in the business to improve or resolve identified gaps.

Sustainability a growth enabler

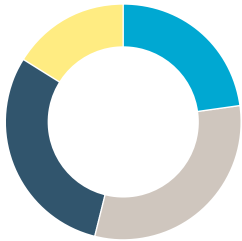
Today's customers are increasingly driven by sustainability agendas and the demand for sustainable buildings. Our customers increasingly take into consideration the environmental performance of a product when making design and purchase decisions, with certifications such as LEED and BREEAM helping to drive this trend. ASSA ABLOY is in an excellent position to help customers meet their environmental targets by offering a growing portfolio of green solutions, which are developed in accordance with our Sustainability Compass. The Sustainability Compass, which is used to assess various environmental attributes in new products, helps us secure sustainability through design, decreasing the environmental footprint of each new innovation. Our efforts to offer more sustainable solutions through specifications continue to pay off, and sales have accelerated, driven by "green" specifications in 2021.

Taking e-business further

E-business is a key strategic initiative for the Group. In 2021, we continued to make progress towards our ambition of providing the best digital customer experience to discover, buy and service our offering. All divisions have strategies in place to increase the pace of digitalization through investments in tools, processes, and dedicated resources.

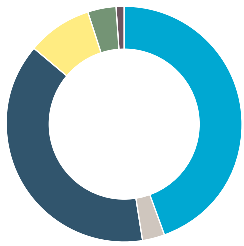
We have started to migrate our various branded websites to a new, customer-centric global platform, which went live in 2021. Having the majority of our brands on a single online platform enhances the customer experience and makes it easier to navigate between our various products and

Sales by product group, 2021

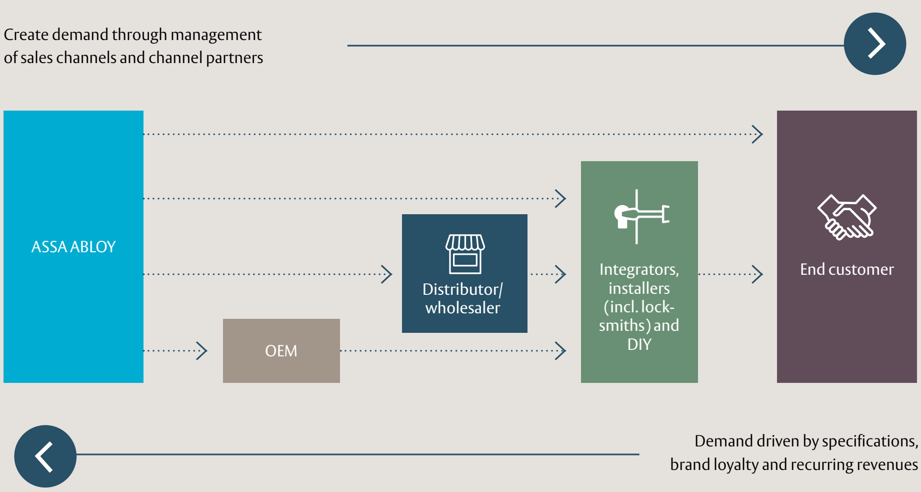


- Mechanical locks, lock systems and fittings, 23%
- Entrance automation, 31%
- Electromechanical and electronic locks, 30%
- Security doors and hardware, 16%

Sales by region, 2021



- North America, 44%
- South America, 3%
- Europe, 39%
- Asia, 9%
- Oceania, 4%
- Africa, 1%



Sales channels

The majority of our sales go through distributors. Most markets are fragmented where we sell our products to several distributors. We work proactively with these distributors in product marketing and product development, with the aim to grow our share of their business. The end-customers are influenced by specification, and also by direct relationships with some key accounts.

Breakdown of ASSA ABLOY's sales

75%
Commercial
institutional and commercial market

25%
Residential
private customers and residential market

33%
New construction

67%
Aftermarket
renovations, remodeling and additions, replacements and upgrades of existing access solutions, as well as ongoing service

solutions. Our efforts in social media to raise awareness and drive customers to our websites and webshops have also been significantly accelerated.

During the year we made significant investments, in areas such as training, further rollout of e-shops, and data analytics to offer an improved digital experience.

Our ambition is for e-commerce to increase as a share of the total Group sales. Overall, sales through our webshops and configurators continue to grow double-digit year over year.

Tools to increase collaboration

We work with common processes and a structured approach to master data management. Customer Relationship Management (CRM) systems help us deliver more targeted information to customers and collaborate across divisions. We have our own BIM-enabled (Building Information Modeling) software platform called ASSA ABLOY Openings StudioTM. The industry-leading tool helps create and visualize openings for complete specifications, faster and more seamlessly. Through Openings Studio, our teams work closer with architects, contractors and other partners to deliver the most suitable solutions. In 2021, we continued our international rollout of Openings Studio and the tool is now available in more than 50 markets.

Our brands

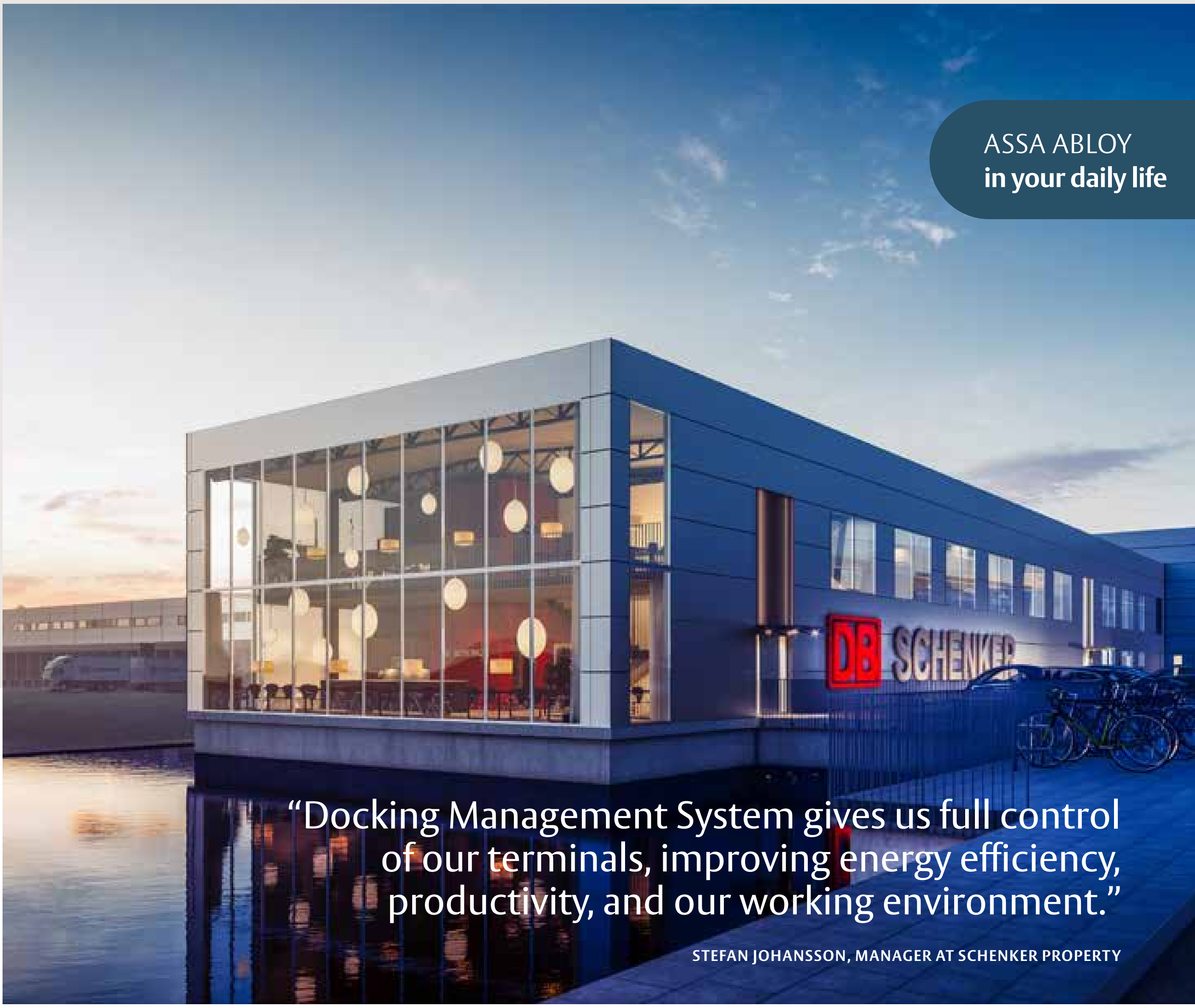
ASSA ABLOY is our main commercial brand and we have master, endorsed, and standalone brands to reach all of our target groups. HID is a market-leading brand for secure identities and access management, and our Yale brand has strong recognition in residential markets worldwide. We also have a number of well-known brands that are endorsed by one of the master brands and we maintain some standalone niche brands that are sold mainly through distributors and installers.

Pricing management activities

We continue to focus on pricing management and have a global network of managers dedicated to pricing activities. Value-based pricing techniques enable us to capture the full value of our products and services. We regularly review and track price performance, price optimization and discount management, among other areas, through established key performance indicators. During the year, we focused on training related to pricing models for our subscription sales, such as for software or service agreements. We continued to invest in resources and platforms to drive this area, resulting in a growth in subscription sales by 45% in 2021. These combined pricing efforts help protect our profitability while delivering increased customer value.

Emerging markets

We are expanding our presence in emerging markets through organic growth and acquisitions. We will grow these markets by having a local presence and developing products and services tailored to local standards and requirements. Our 2021 acquisition of MR Group's hardware division, with parts of its operations in Morocco, is an example in this direction, expanding our footprint in North Africa. While we traditionally tend to have a strong position in the premium segments, we are also expanding our offering in the low and mid-range segments to attract more customers in emerging markets. Our share of sales in the emerging markets was 15% in 2021 and the organic growth was 11%.



ASSA ABLOY
in your daily life

"Docking Management System gives us full control of our terminals, improving energy efficiency, productivity, and our working environment."

STEFAN JOHANSSON, MANAGER AT SCHENKER PROPERTY

A connected solution for smooth operations at DB Schenker

Q *Why did you need new docking solutions?*
A – We're in the process of constructing an important new terminal in Södertälje, Sweden, that needs docking stations, overhead sectional doors and high-speed doors. This is one of the largest and most important business areas in the Stockholm region, so we needed a partner we can trust to deliver.

Q *Why did you choose ASSA ABLOY?*
A – We've had a strong relationship with ASSA ABLOY Entrance Systems for many years, so we know our new terminal is in safe hands. ASSA ABLOY is a one-stop shop for all the products and services we need, so it's easy and convenient for us, and we know everything will be delivered on time.

The ASSA ABLOY Docking Management System (DMS) is something that really appealed to our business too – it means our terminal will be fully equipped with intelligent doors and docking solutions that ensure our production never stops.

Q *How will you use the DMS?*
A – The DMS provides real-time data insights helping us to manage our fleet in the docking area. It also allows us to control when our doors are open and closed for energy efficiency, security, and optimal working conditions.

The service team at ASSA ABLOY monitors the data to identify any issues with our entrances so they can quickly fix them to reduce any downtime.

Q *Would you recommend the DMS?*
A – Absolutely! The DMS gives us full control of our terminals, improving energy efficiency, productivity, and our working environment. Our service agreement also means that we have lifetime after-care of our entrances, ensuring our operation continues to run smoothly, saving us time and money.

CASE FACTS

Project: DB Schenker, Södertälje, Sweden.

ASSA ABLOY Products:
ASSA ABLOY delivers over 100 solutions including complete docking stations, overhead sectional doors and high-speed doors.

Strategic objective #2
Product leadership through innovation

ASSA ABLOY is recognized as one of the most innovative companies globally and we continue to reinforce that position. We are delivering product leadership through innovation by focusing on ten strategic actions designed to accelerate organic growth, ensure more efficiency in resource utilization, and secure a constant flow of new, enhanced, innovative and sustainable products. In 2021, we focused on several areas where we see growing demand, such as in service and predictive maintenance, and on sustainability where solutions like our ultra-low power locks are contributing to energy reductions for customers.

22%
of sales generated by products launched in the last three years.

>400
number of product launches during 2021.

>500
new patents during the last three years.

A groundbreaking transparent OLED automatic sliding door will take image quality to a new level thanks to a collaboration between ASSA ABLOY Entrance Systems and leading consumer electronics company LG Electronics.

Organization

ASSA ABLOY is well-positioned when it comes to innovation capabilities. Throughout our innovation organization, which includes more than 100 R&D sites, we utilize common tools and ways of working to align strategic initiatives and improve transparency. At the same time, we can leverage the Group's broad competence and benefit from the diversity of a global organization that also maintains a local presence and knowledge. Our innovation organization also facilitates cross-divisional collaboration and promotes career development and job flexibility, helping us to retain and attract key talent.

Process

Product quality, safety, and security

We apply a "first time right" approach to product development to ensure that each product meets the highest requirements for quality, safety, and security as well as design and sustainability. Processes, tools, training, and governance support this culture. Through the Group's gateway process for product development, we work with a quality assurance assessment, which also drives high security and safety. Within the gateway process we are able to monitor our investments in innovation through a post-launch review and retrospectively evaluate the business case based on sales, quality, and customer satisfaction. In 2021, we added additional resources in quality and continued to add dedicated security centers to meet customer requirements and maintain our position as the global leader in access solutions.

Excellence in product management and innovation

While we work with product management excellence to identify the right things to do, innovation process excellence guides us in doing things right. It addresses project execution, the continuous delivery of hardware and software, and add-on development like customization, quality improvement, and value engineering. Our "fail fast, learn fast" approach decreases our time to market, improves our ability to respond to change and lowers cost. An agile process for continuous product innovation increases speed and enhances the digitalization of our products and services.

In 2021 we revised our product management training to emphasize the importance of working with visionary scenarios. This is helping us to envision the future of our industry based on current trends related to customers, industries, and technology. With over 100 sites working in product management, we have the ability to gather excellent insights into the needs of local markets and customers.

Innovation and awards

In 2021, new products launched during the last three years accounted for 22% of total sales. During the year, we launched more than 400 products and filed for around 150 patents that were added to our patent portfolio of about 9,500 patents. Our innovation agenda also includes breakthrough innovation, which can enable the Group to create new market opportunities.

During the year, ASSA ABLOY received multiple awards for innovation, including the Red Dot design award for the energy-efficient SW60 swing door operator, which contributes to better hygiene through its touchless user interface. The Linus® Smart Lock was ranked number one among nearly 10,000 entries, winning an iF Design Award in 2021 for its sleek, innovative and functional design. This was just one of many accolades for the Linus door lock, which is meeting a growing demand for smart security solutions with stylish design.

Innovation strategy

The ASSA ABLOY innovation strategy is structured around three strategic pillars - organization, process and product. For each area we have defined strategic actions which are the core of our strive for product leadership through innovation. Efficient execution of these strategic actions will secure a constant flow of new, enhanced, innovative and sustainable products that optimize customer value. Together they will help us accelerate organic sales growth.

Product

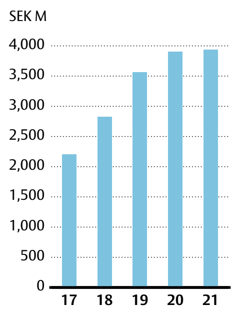
Generation planning

The entire Group uses generation planning to define future product offerings. Each division is responsible for determining its own plans, which are reviewed annually to identify synergy effects. Generation plans provide direction to product and technology roadmaps and secure that our business strategy and objectives are reflected in our innovation activities. Generation plans also outline platform, technology and capability needs over time.

Increasing standardization

ASSA ABLOY plays a key role in the Connectivity Standards Alliance (CSA) and other organizations working to ensure the interoperability of products and develop open, global standards for the Internet of Things (IoT). Through internal standardization of interfaces, we have begun this journey by increasing the interoperability between products and software from different Group entities. We are working to ensure product compatibility and security with third-party products and systems such as smart home systems and building management systems. Having fewer, more standard interfaces reduces complexity and improves the user experience.

Investments in research and development

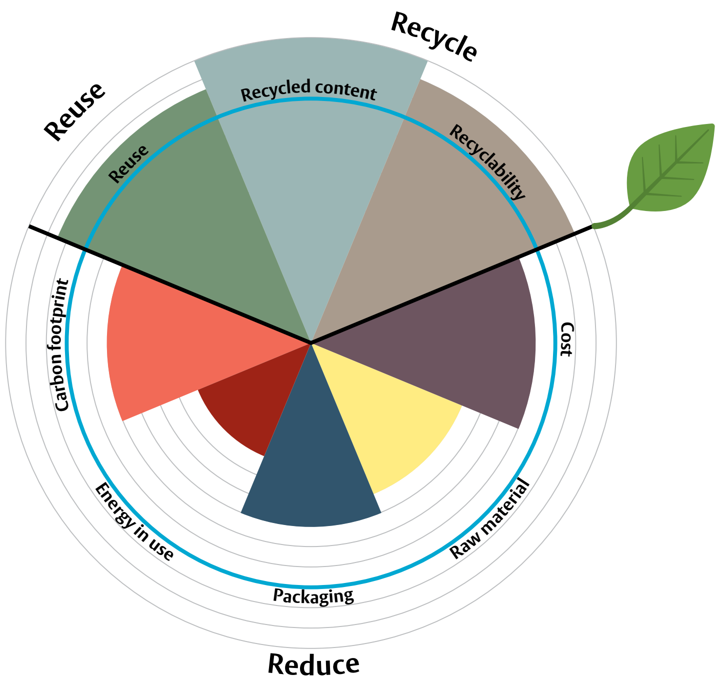


Sustainability Compass

The Sustainability Compass is a tool to increase our efficiency and decrease the environmental footprint. The Compass includes eight dimensions:

- Reduce – five areas
- Reuse
- Recycle – two areas

The green leaf indicates sustainable footprint to minimize the footprint throughout the lifecycle.



> Product innovation is an enabler to increase our long-term profitable growth.

Development of digital and mechanical products

Digital solutions and software comprise an important part of our product portfolio, and we have a digital service organization that supports a growing number of customers. Through "the digital factory," a cross-functional approach, we are able to work seamlessly throughout the organization and towards customers. In 2021, we focused on a number of strategic areas where we see growing demand, such as within cloud-based access control and connected devices (IoT). Service and predictive maintenance is another growth area as our customers digitalize and transition to industry 4.0.

The Covid-19 pandemic has triggered higher demand for touchfree products and digital innovations such as our Mobile Access for hotel check-in, and HID Location Services, a real-time location system (RTLS). Among its many advantages, RTLS helps customers control social distancing in, for example, offices or healthcare facilities. During the year, we also continued to develop our core mechanical products and helped our customers reduce health risks with anti-bacterial handles and other low-touch solutions like arm and foot pull handles.

Compass for sustainability benefits

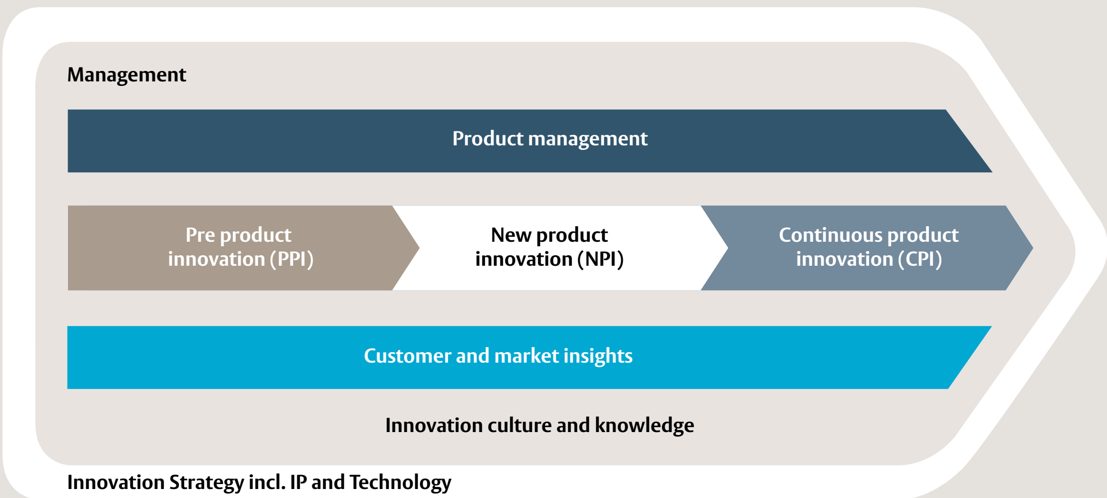
All newly released products have a sustainability value proposition that is in line with ASSA ABLOY's strategic goal to be perceived as the most sustainable company in the industry. Our Sustainability Compass is used to assess a variety of environmental attributes in new products, including recycled content, raw materials, and energy in use. A material reference list and a restricted material list based on the EU's REACH[1] regulation and RoHS[2] rules help guide designers to make choices that lower the environmental impact of products. The Sustainability Compass plays an important role in our innovation processes, guiding the development of each product we develop to ensure benefits for both customers and the environment. Energy harvesting and ultra-low power locks, which reduce energy consumption, carbon emissions, and costs for customers, were just a couple of the areas in focus in 2021.

[1] Registration, Evaluation, Authorization and Restriction of Chemicals.
[2] Restriction of Hazardous Substances.

Innovation system

We look at innovation as a system. We believe that efficiency is maximized by embracing the entire system. For example, strong product management is necessary to run efficient projects. Having a mix of pre product, new product and continuous product innovation will also help us achieve long-term success. ASSA ABLOY's innovation system is our engine, and all parts need to work separately, but also together.

The innovation system supports the dynamics between incremental and disruptive innovation, which are necessary to develop new solutions for our short- and long-term success.



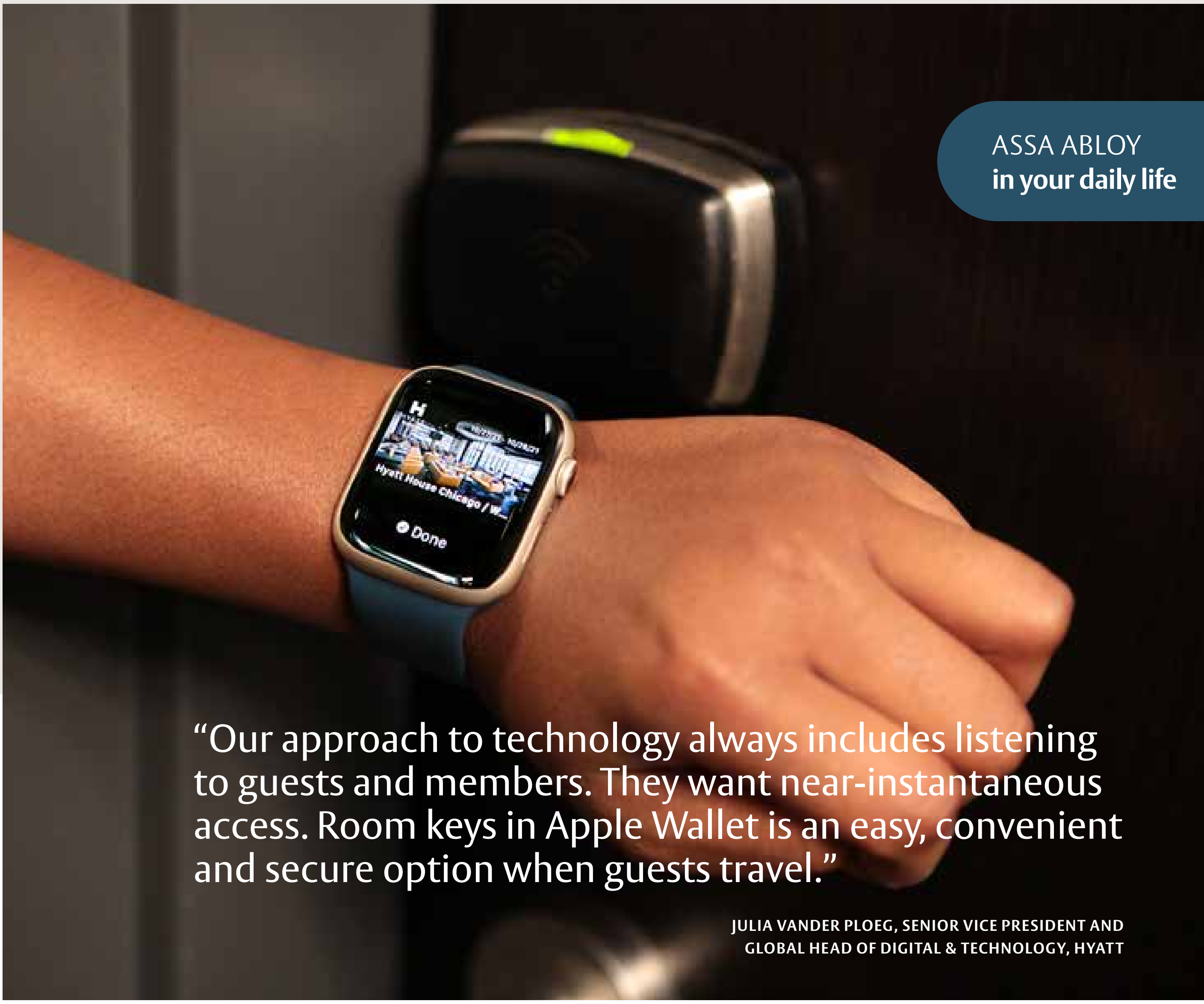


Photo: © Hyatt

“Our approach to technology always includes listening to guests and members. They want near-instantaneous access. Room keys in Apple Wallet is an easy, convenient and secure option when guests travel.”

JULIA VANDER PLOEG, SENIOR VICE PRESIDENT AND GLOBAL HEAD OF DIGITAL & TECHNOLOGY, HYATT

ASSA ABLOY joins Hyatt to roll out room keys in Apple Wallet

Q *What solution was ASSA ABLOY Global Solutions able to provide for Hyatt?*
A – Hyatt's approach to technology is rooted in listening to guests and members, and Hyatt heard that guests want access to be near-instantaneous. So we were able to work together to provide another convenient room key option with industry-leading speed and ease of use, and more control and flexibility during a guest's stay.

Q *How does this solution work?*
A – Hyatt room keys in Apple Wallet are supported by ASSA ABLOY Global Solutions door locks and the Vostio Access Management cloud-based solution. Vostio Access Management provides the digital key information that is securely delivered to guest devices. Room keys in Apple Wallet are stored on the device and take full advantage of the privacy and security built into iPhone and Apple Watch. When or where a World of Hyatt guest uses a room key in Apple Wallet is never shared with Apple or stored on Apple servers. If an iPhone or Apple Watch is misplaced, the guest can promptly use the Find My app to lock the device and help locate it.

Q *How are room keys in Apple Wallet used by guests?*
A – Room keys in Apple Wallet are provisioned from the World of Hyatt app, so members can add their room key to Apple Wallet after completing a reservation. If they need to change rooms, extend a stay or access late checkout, the hotel can update the guest's room key in Apple Wallet remotely – bypassing the need to visit the front desk.

Q *What are the main benefits of the new feature?*
A – As the first hotel brand to offer room keys in Apple Wallet, World of Hyatt guests at participating locations can seamlessly and securely tap their iPhone or Apple Watch to unlock guestrooms and key card-protected common areas like gyms, pools, and elevators – no need to open an app or handle a traditional plastic room key. This marks an important milestone as Hyatt continues to reimagine the guest experience through digital innovations.

CASE FACTS

Customer: Hyatt.

Solution implemented: Room keys in Apple Wallet and ASSA ABLOY Global Solutions Vostio Access Management.

Result: Seamless and secure tap to unlock experience with room keys on iPhone and Apple Watch.

Strategic objective #3
Cost-efficiency in everything we do

Cost-efficiency is an enabler for profitable growth. In 2021 we continued to work with operational excellence including sustainable operations throughout the ASSA ABLOY organization, from strengthening our sourcing through cross-divisional collaboration to consolidating sites through our manufacturing footprint program. The improvements we make today will enable us to fuel our investments for innovation and future growth.

MSEK 700
efficiency savings from MFP programs in 2021.

10
factories have been closed over the past three years.

–7%
the number of direct material suppliers has been reduced by -7% over the past three years.

Operational excellence throughout

We apply lean principles to every stage of the value chain and work with an operational excellence structure that enables us to target costs for direct labor, direct material, fixed and variable production costs. This structure includes clearly defined target stages linked to productivity performance. We measure sustainability, quality, delivery, and cost performance across the Group through key performance indicators (KPIs).

This year, all our major sites completed individual assessments and drafted improvement roadmaps to increase our benchmarking and improve operational excellence. Focusing on customer needs, working with continuous improvement, and empowering our employees are among the other day-to-day operational activities that are helping us to improve cost efficiency.

Exploring automation

Our operational excellence structure and assessments provide an overview that helps us identify and target opportunities for automation, such as where we can best deploy robots and automated systems within operations. We are currently focusing on pilot cases in European and American sites, particularly related to data analysis and machine learning, to increase efficiency within production. We are, for example, gathering data from our automated cylinder assembly machines that will help predict the need for maintenance.

Manufacturing footprint programs

There is a constant need to target savings and find synergies, due in part to our frequent acquisitions. Since 2006, we have been working with Manufacturing Footprint Programs (MFP) to capture cost savings within our operations. Since ASSA ABLOY's first MFP, annual savings have been more than SEK 5.5 bn. MFP8, which was launched in late 2020, is a two-year program designed to increase our efficiency by closing ten production plants and about 30 offices and lead to total savings of about SEK 1 bn. In 2021, a dedicated council focused particularly on consolidating offices in major cities, targeting sites where leases are expiring. MFP8 is our largest program to date and has delivered savings of about SEK 600 M until and including 2021.

Value Analysis and Value Engineering

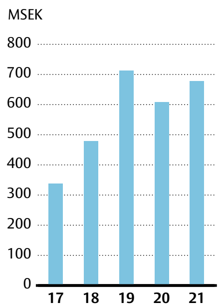
Each of our divisions is working with Value Analysis (VA) and Value Engineering (VE). VA is a structured process for optimizing cost while maximizing customer value in existing products. VE is part of the development process and focuses on new and existing products. Both processes systematically reduce costs while taking into account a product's design, components and production methods in order to enhance customer value with improved quality. We are, for example, applying VA and VE in our product innovation process to ensure that each product is designed using the right materials and resources, and developed at the right cost.

Cost-efficiency through sustainability

Cost-efficiency and sustainability go hand in hand in our efforts to reduce our environmental footprint. During the year, our work with VA and VE focused on sustainability by, for example, looking at ways to reduce the steel content in our safety doors. This also alleviated the impact from sharp price hikes on raw materials in 2021.

We are also reducing our environmental footprint through our MFPs as we consolidate offices and operations. These efforts have led to lower consumption of materials, energy, water and waste, along with lower greenhouse gas emissions from our production processes. We continue to increase the use of renewable energy, sourcing renewable energy where it is available, and practice kaizen methodology within all of our operations to address daily energy

Annual MFP savings



The MFP savings have resulted in SEK 2.8bn annual savings during 2017-2021

> “The Manufacturing Footprint Programs generated MSEK 700 in savings in 2021 and during the year we closed two production plants.

saving activities. These energy measures have contributed to an energy intensity reduction of -9.1% compared to the base year 2019.

Our health and safety culture, which includes proactively identifying risks and implementing safety improvements to minimize the risk of injury has an impact on our operational performance and cost efficiency. The injury rate has decreased by 20% since 2019.

Supply chain and logistics

We continue to target improvements in global logistics to capture cost savings, improve delivery performance and lower our environmental footprint. By consolidating platforms, phasing out old legacy products and reducing complexity, as well as having more standardized digital processes, we are able to achieve further efficiencies in our supply chain. We also continue to optimize and consolidate our warehouse locations through our MFP.

Our logistics were impacted by supply availability issues caused by the Covid-19 pandemic in 2021, along with tariffs and increasing uncertainty in China. When it comes to supply, we believe in “best cost” rather than “low cost” and are building new alliances and shifted some of our focus to, for example, Eastern Europe and Mexico in 2021.

Professional sourcing is key

We are constantly reviewing our supply base and streamlining our component assortment to leverage volumes. We practice multi-tendering, benchmarking and Group-wide contracts. We are guided by the sourcing principles in our sourcing policy and apply “should-cost” analysis and e-auctions to ensure the best cost, quality and performance of our supply base. Professional sourcing and strategic partnerships help us to reduce costs and ensure we are more competitive.

Throughout the year, we continued to consolidate and discontinue stock-keeping units (SKUs) that are no longer integral to our customer offering. Through our top supplier sourcing program and our Group-wide “Together we” concept, we were able to increase our cross-divisional collaboration and approach about 100 of our common top suppliers in a collective way. This resulted in substantial savings on our direct material spending in 2021. The savings are particularly notable in a year when we faced extremely high price hikes for direct material such as steel. We will continue to strengthen our sourcing teams by commodity, work cross-divisionally and focus on pricing.

Consolidation of sites

The Manufacturing Footprint Program (MFP) applies not only to manufacturing sites, but also to other operations such as offices, warehouses and service centers. In this photo, for example, employees from three different business units, previously situated in different locations, now work at the same site in Stockholm, Sweden. This has not only reduced complexity and cost, but also increased cooperation between the divisions and functions.

ASSA ABLOY has about 1,000 different sites with offices, warehouses and service centers globally, of which several are located in the same cities or close to each other. The ambition is to use shared sites for manufacturing, warehousing and offices whenever possible and beneficial.

Strategic objective #4
Evolution through people

Our mission is to be a world-leading organization where people succeed. This is best achieved by creating a culture where employees feel empowered, are encouraged to learn and collaborate, have internal mobility and can develop careers. Through our "Evolution through people" strategic objective and its seven strategic initiatives, we are fostering an environment where employees contribute to ASSA ABLOY's future growth and success. In 2021, we continued to deliver on our strategic initiatives while tackling the immediate challenges caused by the Covid-19 pandemic.

32
nationalities in leading positions.

–20%
reduced injuries per million working hours since 2019.

22%
increase in internal applications since 2017.

> Our people are encouraged to develop and change roles within the Group, and we focus on facilitating a personalized development journey tailored to the needs of the individual.

Common culture

"Together we" is our Group-wide initiative that encompasses our identity, purpose, vision and mission. It also defines our common culture, which comprises core values, beliefs and behaviors. Throughout the organization we advocate for three core values: empowerment, innovation and integrity. Our common culture has an impact on all strategic initiatives and processes and guides us in everything we do. It helps align our diverse and global workforce so we can grow in the same direction. Having a common culture also helps employees – and potential employees – understand what our Group stands for.

Employee experience

We have an agile and inclusive organization and recognize the value in an adaptable approach to work routines. We have learned that meetings and travel can be replaced by digital solutions, leading to reduced costs and balanced schedules. Our aim is to offer our increasingly diverse workforce different ways of working.

By offering various ways of working within an agreed framework, we can increase staff motivation, build better relationships between the organization and its employees, increase the rate of staff retention, reduce absenteeism, attract new talent, promote work-life balance and reduce employee stress. In doing so, we improve the Group's efficiency, productivity and competitiveness.

Our employee engagement survey is an important tool in continuing to make ASSA ABLOY a great place to work. It helps us see where we are today and where we want the company to be tomorrow. At ASSA ABLOY, everyone's voice matters. Experience has shown that colleagues, who feel their voice is heard, are more empowered to perform their best work. Global participation in our 2021 employee survey was 83%. High marks were given to, among other areas, the Group's managing of the pandemic situation and the vast majority agrees that safety is a priority for the leadership.

Talent management

How we attract, develop, engage and retain talent is crucial for our success. We aim for longevity when hiring and focus on talent retention by prioritizing internal candidates. Our people are encouraged to develop and change roles within the Group, and we focus on facilitating a personalized development journey tailored to the needs of the individual. We encourage our people to develop transferable skills that will allow them to take on roles in other functions, divisions, or countries. This has been more limited during the pandemic, but flexible work arrangements are helping make it possible. In 2021 we established an internal talent acquisition function and launched a talent assessment process to identify the development needs of future successors. We have also piloted an employee referral program to further boost internal mobility.

Thousands of employees participated in this year's pilot of our new and global performance process, with people development at the forefront. Every employee has at least one personal development goal that is tied to the goals and objectives of the organization as well as to our competency framework and leadership behaviors. We offer digital courses, an internal leadership program, and programs in collaboration with external partners, but we strongly believe that the best way to learn is on the job and through stretched assignments that go beyond one's present expertise.

Leadership

Leadership development for us is not only about how we lead, but also about how we help others become leaders. We have implemented Leadership Dimensions that form the basis for how our leaders should act. These have been embedded into all of our people processes such as in the employee performance process, assessments of executive search positions and employer branding. Leadership behaviors should incorporate our values and develop our business.

How to lead from a distance was at the top of the agenda in 2021 due to circumstances caused by the Covid-19 pandemic. Leaders were provided with guiding principles on the topic and webinars were held on how to conduct activities virtually instead of face to face. For our 120 top leaders we continued the work with our Group leaders network, where we focus on people development and collaboration.

Ethical and social responsibility

The ASSA ABLOY Code of Conduct is our framework for daily operations and it applies to all employees and suppliers. We have mandatory compliance training programs and policies to address anti-corruption, antitrust, export control and data protection, among others. Any concerns or suspected breaches of our Code of Conduct can be reported through a whistleblowing process.

ASSA ABLOY does not tolerate any form of discrimination or harassment in the workplace and we actively promote diversity and inclusion by continuing to educate, advocate and communicate. During the year we further aligned the branding on our career website, templates and recruitment materials for a more inclusive tone of voice to increase the diversity.

The reporting of gender diversity is a part of our sustainability reporting with a Group objective to have at least 30% females in high-level leadership roles by 2025. In 2021 we reached 27%. We also report on diversity at a divisional level, with each division identifying local challenges to overcome, such as those related to age, ethnicity, and disability.

Health and safety

The health and safety of our employees is a top priority that we have been working on systematically for a long time. Today, the biggest health and safety risks tend to be in environments beyond our full control, for example, ergonomic or weather challenges that service engineers and installers face in the field. We are working to mitigate health and safety risks and apply disciplinary actions when needed. We believe that safety is a precondition of doing business and have zero tolerance when it comes to unsafe behaviors and environments.

We continued to address and promote health and safety internally through "Together we are safe" workshops, procedures, dialogue, and leadership engagement. We also addressed the emotional wellbeing of employees with the "mental health first aiders" support program. We promoted Covid-19 vaccinations and had onsite clinics at many locations to offer employees a convenient way to get vaccinated.

Digital workplace

Our digital processes enable us to work from anywhere and this has been particularly valuable throughout the Covid-19 pandemic. A communications and learning campaign, with continuous communication on our intranet and virtual team "get-togethers," helped us stay connected. We continued to put a lot of effort into helping people work, learn and lead virtually.

The Group's digital workplace is adopting new software, and a project has been underway to support its implementation and provide training. While we now have the digital tools in place to work remotely and will continue to enable flexible work depending on the local organization's business and employee needs, we look forward to bringing people together again in person. We strongly believe this will enrich our collaboration, innovation and the building of ASSA ABLOY's culture.

Assessments of acquisitions

With our deep experience in acquiring companies, we have learned how important it is to take a proactive and inclusive approach. Our integration work is led by dedicated integration project managers, and we put emphasis on creating a common understanding. We engage both current and new employees by creating an identity and culture of belonging.

> Our common culture has an impact on all strategic initiatives and processes and guides us in everything we do. It helps align our diverse and global workforce so we can grow in the same direction.

What we offer

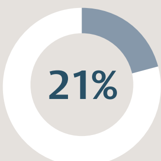
Divisions overview

Regional divisions

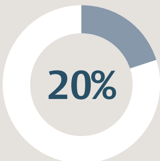
The regional divisions manufacture and sell mechanical and electromechanical locks, digital door locks and smart home access solutions, high-security doors, fire doors and hardware adapted to the local market's standards and security requirements.

Opening Solutions EMEIA

Share of sales

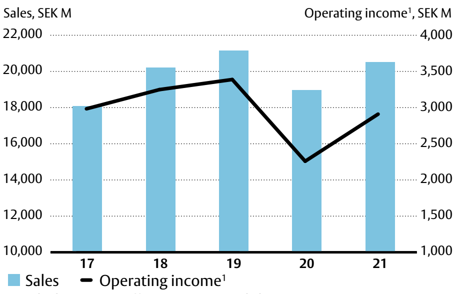


Share of operating income



Financials in brief 2021

- Sales: SEK 20,522 M (18,982) with +13% organic growth.
- Operating income (EBIT): SEK 2,916 M (2,263).[1]
- Operating margin: 14.2% (11.9).[1]



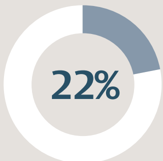
[1] Excluding items affecting comparability.

Sales by product group

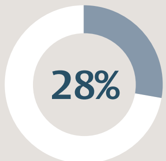
- Mechanical locks, lock systems and fittings, 48%
- Electromechanical and electronic, 36%
- Security doors and hardware, 16%

Opening Solutions Americas

Share of sales

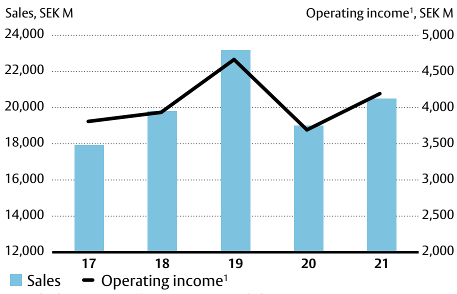


Share of operating income



Financials in brief 2021

- Sales: SEK 20,507 M (19,013) with +14% organic growth.
- Operating income (EBIT): SEK 4,200 M (3,698).[1]
- Operating margin: 20.5% (19.4).[1]



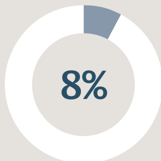
[1] Excluding items affecting comparability.

Sales by product group

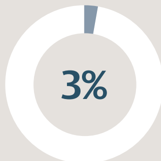
- Mechanical locks, lock systems and fittings, 42%
- Electromechanical and electronic, 26%
- Security doors and hardware, 32%

Opening Solutions Asia Pacific

Share of sales

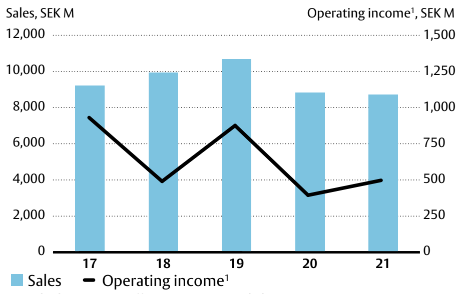


Share of operating income



Financials in brief 2021

- Sales: SEK 8,719 M (8,841) with +2% organic growth.
- Operating income (EBIT): SEK 499 M (396).[1]
- Operating margin: 5.7% (4.5).[1]



[1] Excluding items affecting comparability.

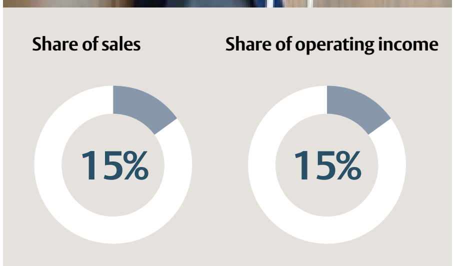
Sales by product group

- Mechanical locks, lock systems and fittings, 49%
- Electromechanical and electronic, 25%
- Security doors and hardware, 26%

Global divisions

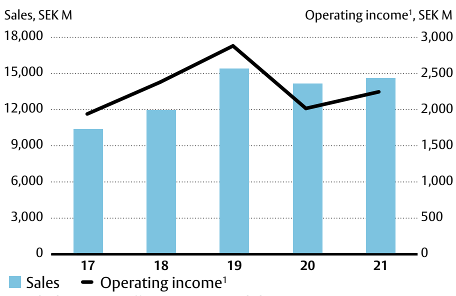
The global divisions manufacture and sell access solutions, identification products and entrance automation in the global market.

Global Technologies



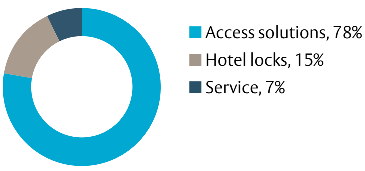
Financials in brief 2021

- Sales: SEK 14,604 M (14,158) with +5% organic growth.
- Operating income (EBIT): SEK 2,253 M (2,023).[1]
- Operating margin: 15.4% (14.3).[1]

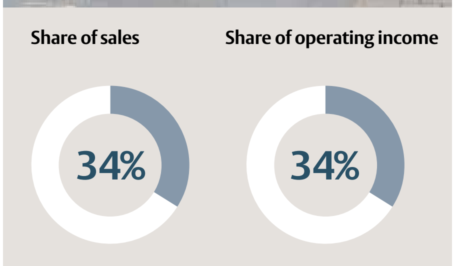


[1] Excluding items affecting comparability.

Sales by product group

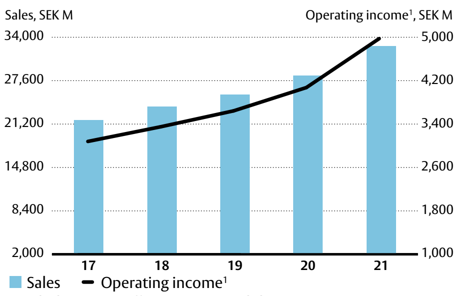


Entrance Systems



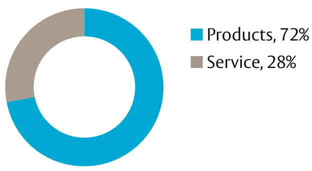
Financials in brief 2021

- Sales: SEK 32,690 M (28,323) with +14% organic growth.
- Operating income (EBIT): SEK 4,988 M (4,083).[1]
- Operating margin: 15.3% (14.4).[1]



[1] Excluding items affecting comparability.

Sales by product group



Opening Solutions EMEIA

Strong post-pandemic recovery

> We have seen good recovery in most countries back to pre-pandemic levels.

Overview

EMEIA is organized into 12 market regions with divisional headquarters located in Woking in the UK. In 2021, India was transferred from Asia Pacific to EMEIA. The market regions are responsible for manufacturing and selling mechanical and electromechanical locks, hardware and security doors adapted to the standards and requirements of local markets. The products for the commercial market are sold under the master brand ASSA ABLOY or brands endorsed by ASSA ABLOY, while Yale is the master brand for the residential market. EMEIA has about 11,800 employees. The largest market region is Scandinavia, followed by the UK and DACH (Germany, Austria, and Switzerland).

Financial development

Although restrictions and lockdowns related to the Covid-19 pandemic impacted 2021, sales in EMEIA recovered well and reached pre-pandemic levels driven by continued strong residential demand and a sequential improvement in the commercial segment. For the full year, the organic growth was 13%, with the UK, France and Finland growing very strongly. Net acquired growth was -2%, primarily driven by the CERTEGO divestment. Operating income increased 29% and the operating margin was 14.2% (11.9%). Cash flow continued to be strong, but the conversion rate declined slightly to 106% of EBIT, driven by higher receivables and inventory levels. To maintain our competitive advantage in technology we continued to invest in R&D. The share of new products introduced over the past three years was 24% of total sales.

Acquisitions

Two acquisition and two divestments were completed during the year. MR Group's hardware division was acquired. This is a leading supplier of aluminum profile hardware and locks in Portugal. We also acquired Malkowski-Martech, a Polish producer of fire-rated curtains and gates. We divested the Nordic locksmith business CERTEGO and the Italian manufacturer of residential security doors, Gardesa. These divestments reinforce the strategic focus on the core security solutions business. Furthermore, the acquisition of Arran Isle was announced, a leading door and window hardware manufacturer in the UK and Ireland. The acquisition is expected to be completed in 2022.

Comments by Divisional Head

Neil Vann
Executive Vice President and Head of EMEIA division

What are the recent trends in your market?
– We have seen good recovery in most countries back to pre-pandemic levels. The Covid-19 pandemic has also brought us new opportunities, specifically with new types of commercial activities that require more flexible access control and touchless solutions. This will help accelerate our digitalization process to give people more flexibility with their products.

What activities are you working with to accelerate profitable growth?
– We have built a clear strategic framework which is built around three key growth drivers. Firstly, maximising sales in our core products from both organic and acquired geographical and range expansion. Secondly, capture the big opportunities in digitalization, by converting our huge installed base. Finally, we have a great opportunity in several emerging markets with strong pipeline development driven through project specification and local product variations.

Why was India moved to the EMEIA division in 2021?
– This was done to support our efforts to drive growth in emerging markets and enable us to capture the strong synergies between the Middle East, Africa, and India regions. Our approach in India will be driven through focused project specification using tools and processes that have proved successful in the Middle East and Africa, coupled with a strong local product presence.

How is sustainability impacting the EMEIA division?
– We have seen an unprecedented increase in the number of specification projects for 'green' buildings. These projects now account for 20% of the total value we specify. This has been supported by the development of a green specification guide that provides guidelines and tools for specification delivery on green projects and the growing focus and use of our environmental product declarations.

Markets

EMEIA has a leading position in Europe, the Middle East, India and Africa for locks, access solutions, high security doors and hardware. The region has unique local standards and regulations creating a diverse environment to operate in. Commercial and institutional customers are the largest end-customer segment and account for about 60% of sales, while the residential segment accounts for about 40%. Products are sold primarily through several distribution channels, but also directly to end-users.

Opening Solutions Americas

Strong operational execution

Overview

The Americas division, headquartered in New Haven in the US, is organized into 13 business areas and market regions. Opening Solutions in the US, the largest market, is organized by product category, while the other regions are organized in a country structure. The business areas and market regions are responsible for manufacturing and selling mechanical and electromechanical locks, hardware, secure lockers, access control devices and security doors adapted to the standards and requirements of local markets. ASSA ABLOY and Yale are the master brands, with a strong portfolio of endorsed brands. Institutional and commercial customers are the largest end-customer segments and account for 75% of sales, while the residential segment accounts for 25% of sales. The Americas division has about 9,300 employees.

Financial development

Americas reported strong organic growth, with sales exceeding pre-pandemic levels. Renovation trends during Covid-19 boosted residential sales and the commercial segment also recovered during the year, primarily thanks to high activity on the institutional side. Latin America, with Brazil and Chile as the main drivers, reported strong growth during the year. Organic growth increased by 14%. Supported by agile price management and cost savings measures, the operating margin was strong at 20.5% (19.4%), despite significant steel price increases in the US. Cash flow was strong, and the conversion rate was 89% of EBIT. New products introduced in the past three years accounted for 25% of sales.

Acquisitions

Three acquisitions were announced in 2021. Sure-Loc, a regional supplier of residential locks and associated hardware in the US; Pucon, a leading commercial high security company in Peru; and SimpleK, the software division of Prosystech, offering a strong master key system management tool in the US and Canada. Also, we announced the acquisition of Spectrum Brands' Hardware and Home Improvement (HHI), subject to customary regulatory clearance processes, with an expected close in 2022. HHI is a leading provider of security, plumbing and builders' hardware products to the North American residential segment.

“

We continue to see a strong migration from mechanical to digital solutions with digital access control moving beyond the perimeter and penetrating deeper into buildings and homes.

Comments by Divisional Head

Lucas Boselli
Executive Vice President and Head of Americas division

What are the recent trends in your market?
– The demand for faster delivery times continued to increase in 2021. We also continued to see a strong migration from mechanical to digital solutions across the division with digital access control moving beyond the perimeter and penetrating deeper into buildings and homes.

What activities are you working with to accelerate profitable growth?
– We are continuing to invest in robotics and automation across all our facilities, with over 50 new robots and automated systems added in 2021. We are seeing benefits from the roll out of additive manufacturing in some of our locations, enabling us to prototype faster and streamline new product development. We have also focused heavily on optimizing our supply chain and transportation processes and have implemented strategic pricing initiatives to help mitigate supply chain headwinds.

How will the acquisition of HHI change the Americas division?
– It is a strong complement to our existing commercial business in North America. HHI adds well-known brands to our residential portfolio and supports access to new channels which accelerates the adoption of digital locks to consumers. HHI's manufacturing footprint also provides us with alternative production capabilities in key regions.

How is sustainability impacting the Americas division?
– We already have a deep history with driving sustainability initiatives in the Americas division, from Environmental Product Declarations to implementing innovative sustainability solutions in our production facilities, and are now focused on setting new goals based on science-based targets. Of note, our EcoFlex mortise lock from SARGENT was recently awarded a Living Product Challenge Certification and became one of only 24 products in the world to be recognized as a living product.

Markets

Americas has a leading position in the US, Canada, Mexico, Central America and South America for locks, access solutions, high-security doors and hardware. Institutional and commercial customers are the largest end-customer segments and account for about 75% of sales, while the residential segment accounts for 25%. Sales in South America and Mexico are primarily focused on the residential segment, although several verticals in the commercial area have grown significantly in recent years.

Opening Solutions Asia Pacific
New organization established

We have focused more on commercial projects in key verticals with higher profitability and growth potential such as healthcare, travel, and transportation.

Overview

As of January 2021, the division has been organized into two business units: Greater China & Southeast Asia and Pacific & Northeast Asia. The local organization in China is divided by market segment and the other regions in Asia and Pacific are organized according to market segments or region/country structures. The business areas and market regions are responsible for manufacturing and selling mechanical and electromechanical locks, hardware and security doors adapted to the standards and requirements of local markets. ASSA ABLOY is the master brand for products in commercial markets and Yale is the master brand for the residential market and its endorsed brands. The Asia Pacific division has about 8,300 employees across the region. The largest market by sales is China followed by Australia and South Korea.

Financial development

Restrictions and lockdowns in many markets were challenging for Asia Pacific. During the first quarter, China saw positive organic growth. However, as the year progressed, higher steel prices put the construction industry under financial strain. This, in combination with strict covid-19 pandemic policies dampened the activity level and negatively affected the demand in China and Pacific during the second half of the year. Despite the lockdowns in several other Asia Pacific countries, activity remained relatively stable. Organic sales grew by 2% with net acquired growth of -2%, primarily driven by the transfer of India to EMEIA. We continue to focus on our business plan for China, where we are working to increase operational stability while improving margins. The operating margin was 5.7% (4.5%), as positive effects from efficiency measures were offset by higher raw material costs and lockdowns in the second half of the year. Cash flow was lower than last year due to increased working capital. Demand for electromechanical products and solutions grew and several new products were launched during the year.

Acquisitions

One acquisition was conducted during the year: NZ Fire Doors, a manufacturer of fire-rated and specialty doors in New Zealand.

Comments by Divisional Heads

Simon Ellis
Executive Vice President and Head of Pacific & North East Asia

Martin Poxton
Executive Vice President and Head of Greater China & South East Asia

What are the recent trends in your market?
– We have seen a significant impact from Covid-19, but it has also led to increased demand in detached dwellings in the Pacific region, while urbanization remains an important trend in the emerging markets. Announcements for investments in government infrastructure have raised expectations of increased commercial activity in the coming years. The growing e-commerce trend is also likely to result in increased demand for digital access solutions.

What activities are you working with to accelerate profitable growth?
– In the residential segments, we have invested in brand-building activities, and continued to invest in both our digital access solutions and smart residential markets. We have also developed our Building Information Modeling (BIM) competencies to support architects to drive more sticky specification and focused on commercial projects in key verticals with higher profitability.

How has the implementation of the new organization progressed?
– The organizational development has progressed well. We are well underway to realizing the benefits from the change. We are seeing the benefits of bringing South Korea, being a more mature economy, into the Pacific region. The focus has also been on sharing best practices in specification and new product development to continue to develop our digital access solutions.

How is sustainability impacting the Asia Pacific division?
– We are seeing increased demand from customers and are assisting them with their overall sustainability footprint, particularly in commercial construction projects. Sustainability is taking an increasing role in how we are developing new products and servicing our customers. We work with locally manufactured and imported products having green tag certification, removing packaging where not required and in some cases we deliver products in reusable bulk containers. We have also developed more energy efficient solutions such as improved sealing on windows and doors to limit temperature transfer.

Markets

Asia Pacific has a leading position in Australia and New Zealand as well as in some Asian countries for locks, access solutions, high security doors and hardware. The Pacific region is a mature market with established standards and regulations, while most Asian countries are emerging markets. Urbanization is a driver for growth in Asia and sales for new construction account for most of the business. Through a combination of organic growth and acquisitions we are building a stronger position in the fast-growing Asian markets. The commercial and institutional segments and the residential segment each account for about half of the total sales.

Global Technologies – HID Global

Strong organic growth and margin improvement

Overview

HID Global is organized into six business areas with the business unit headquarters located in Austin, Texas in the US. The business areas are responsible for global sales and product development in their product area. HID Global powers the trusted identities of the world's people, places, and things. Our trusted identity solutions give people secure and convenient access to physical and digital places and connect things that can be accurately identified, verified, and tracked digitally. The products and solutions are sold under the master HID brand or by brands endorsed by HID. Institutional and commercial customers are the main end-customer segments. HID Global has about 4,400 employees worldwide. The largest business area is Physical Access Control Solutions. HID Global accounts for some 70% of the Global Technologies division.

Financial development

Continued restrictions in many markets held back development during the first half of the year. With vaccine rollouts, increased mobility and a return to offices, growth gradually improved during the second half of the year. However, the component shortage dampened the growth for Physical Access Control particularly in the second half of the year. Secure Issuance and Identification Technologies posted the strongest growth during the year. Tight control and operational efficiencies contributed to improved profitability and operating leverage during the year. We continued to invest in R&D and several new products and solutions were launched. New products introduced over the past three years accounted for 21% of sales.

Acquisitions

Four acquisitions were completed in 2021: Invengo in France and InvoTech in the US, both which are real-time inventory management platforms to identify, track and monitor linen and textile assets; Technology Solutions in the UK, a global provider of RFID handheld readers; and Omni ID, a manufacturer of RFID tags and industrial IoT hardware devices based in the US. We also invested in Paravision, a provider of advanced facial recognition solutions.

> "The pandemic has accelerated the adoption of digital and touchless access solutions to assist with contact tracing and social distancing.

Comments by Divisional Head

Björn Lidefelt
Executive Vice President and Head of Global Technologies business unit HID Global

What are the recent trends in your market?
– The market continues to be dynamic, and we have seen demand for mobile, location services, and access solutions accelerate, especially as employees return to the office. Semiconductor shortages posed a challenge and required us to be agile. Partnerships and mergers and acquisitions activity have been robust as new players, including large technology companies, become increasingly involved in the identity ecosystem.

What activities are you working with to accelerate profitable growth?
– Our organic growth and M&A priorities, complemented by our innovation focus, will allow us to achieve our ambition to double HID's sales in a few years. We are investing in sales capabilities across businesses to drive growth in current and new markets, while continuing to create value through M&As. Mobile solutions, biometrics, and location services represent a few of the key product areas where we are driving innovation.

How did the demand for our office-related access solutions develop in 2021?
– The pandemic has accelerated the adoption of digital and touchless access solutions to assist with contact tracing and social distancing. End-user organizations also focused on upgrading their access solutions from legacy to modern technologies to prepare for the new, mobile-first normal.

How is sustainability impacting HID?
– Sustainability serves as a key part of our growth strategy. We have enhanced sustainability in manufacturing by using fewer physical resources and reducing waste. To further minimize our carbon footprint, we are creating digital solutions that reduce our dependency on plastics and lessen the need to ship physical products globally.

Markets

HID Global has a market presence in all continents, with a global leading market position in access control solutions. Every day millions of people worldwide use our products, for billions of things that need to be identified, verified, and tracked. We work with governments, universities, hospitals, financial institutions, and some of the most innovative companies on the planet. Through a combination of innovative new products and solutions as well as acquisitions we have a leading position in trusted identities.

Global Technologies – Global Solutions

Digital access on the rise

“

Several products such as mobile access are now seen as essential for safe re-opening of our societies.

Overview

Global Solutions is a global organization comprising eight verticals, Hospitality, Marine, Senior Care, Education, Critical Infrastructure, Construction, Key and Asset Management, and Self Storage. Each vertical is responsible for its own manufacturing, sales, and solutions developments. Global Solutions' products include electronic locks, safes, access management, credentials, and software services. Its innovative solutions are sold under the ASSA ABLOY master brand and the Traka and Abloy brands. The division has around 2,100 employees worldwide. The largest vertical is Hospitality, offering advanced electronic locking solutions in combination with a range of tailored services for guest convenience. Global Solutions accounts for some 30% of the Global Technologies division.

Financial development

Mobility remained at low levels globally during most of the year, which had a significant negative effect on Hospitality and Marine. A gradual increase in travel volumes was noted from the second quarter of the year. The trend with hotels upgrading to mobile key solutions continued. Critical Infrastructure, Construction and Key and Asset Management reported very strong growth during the year, positively affected by the removal of many restrictions. Senior Care also grew strongly as more customers are appreciating the advantages with our digital access offering. We continued to invest in new, innovative solutions and launched several new solutions. New products introduced over the past three years accounted for 26% of total sales.

Acquisitions

One acquisition was conducted in 2021: Traka Iberia, a distributor of Key and Asset Management Solutions in Spain and Portugal.

Comments by Divisional Head

Stephanie Ordan
Stephanie Ordan was appointed Executive Vice President and Head of Global Solutions from September 2021. She succeeds Christophe Sut, who left ASSA ABLOY for a new position outside the Group.

What are the recent trends in your market?
– The most pressing trend is for seamless and mobile access, with greater awareness of how they can contribute to more hygienic environments. This is matched by continued interest in devices connected by IoT networks and cloud control. Furthermore, we see a stronger demand for new business models such as service and recurring revenue. The drive for digital and mobile access can also be seen across our verticals.

What activities are you working with to accelerate profitable growth?
– There are four key growth drivers. Firstly, we are moving forward with digitalization across several industries. Secondly, we are using the recent success of key products to drive geographic expansion. Thirdly, in line with this we are always scanning the market for relevant acquisitions. Fourthly, we continue to improve user experiences, so customer interactions are as seamless as possible. Moreover, we are introducing cloud-based access control management platforms, investing in new products as well as developing service centers closer to our customers.

What will your priorities be in 2022 as a new leader for Global Solutions?
– The world is gradually opening up and I see Global Solutions playing a big role in that. Several products such as mobile access are now seen as essential for safe re-opening of our societies. We also plan to expand by showcasing the benefits of these products in new regions and are assessing new verticals as well.

How is sustainability impacting Global Solutions?
Improving sustainability is of real importance to us and our customers. Innovation in our product range is a key focus, particularly around reducing energy usage where we are working on ultra low-power locks. We are designing with sustainability in mind and looking to give clients as much information and transparency on our products as possible.

Markets

ASSA ABLOY Global Solutions has a presence in all continents, with leading market positions in the hospitality and marine segments for access solutions. Our systems and products are installed in hotel rooms and cruise ships worldwide. Through a combination of acquisitions and innovative solutions utilizing Group technology, we continue to increase our footprint in verticals like senior care facilities, education, construction sites, key and asset management and critical infrastructure.

Entrance Systems
Record-high organic growth

Overview
Entrance systems is a global organization with four business segments: Pedestrian, Industrial, Residential and Perimeter Security. The business segments are responsible for sales, manufacturing and product development in their specific product areas. The divisional headquarters are located in Switzerland. Entrance Systems manufactures and sells entrance automation products, services and perimeter security. The route to market is both direct and indirect, with the master brand ASSA ABLOY and the brand, agta record, in the direct channel, and a number of brands in the indirect channel. Entrance Systems has about 14,700 employees worldwide. The largest business segment is Industrial followed by Pedestrian.

Financial development
There was very strong sales growth during the year driven primarily by a continued strong e-commerce market and residential renovations. This resulted in positive demand for our Perimeter Security, Residential and Industrial segments. Sales growth was also positively impacted by price increases as a result of higher raw material prices, which contributed to strong organic sales growth of 14% for the division. Despite the higher raw material costs, the operating margin improved to 15.3% (14.4%). Synergies realized from the integration of agta record contributed to the positive margin. Investments in our service organization continued and sales development was positive. Cash flow was strong with a conversion rate of 80%. The share of new products introduced over the past three years was 19% of sales.

Acquisitions
Two acquisitions were completed. Capitol Door Service, a leading pedestrian door distributor and service company based in the US and B&B Roadway and Security Solutions, a manufacturer of roadway safety, traffic control and perimeter security solutions in the US.

"A key pillar of growth is our increased focus on service and the aftermarket, where we invest in our service organization to create additional customer value.

Comments by Divisional Head

Massimo Grassi
Massimo Grassi was appointed Executive Vice President and Head of the Entrance Systems division from September 2021. He succeeds Christopher Norbye, who left ASSA ABLOY for a new position outside the Group.

What are the recent trends in your market?
– The pandemic has continued to accelerate e-commerce adoption which has led to increased demand from logistical centers and warehouses. To meet the increased demand for hygiene, we have developed services and solutions such as door operators for touchless entry and exit into a building. There is also an ongoing trend towards consumers improving their living spaces, which is particularly evident in our residential garage business.

What activities are you working with to accelerate profitable growth?
– A key pillar of growth is our increased focus on service and the aftermarket, where we invest in our service organization to create additional customer value. Our customers demand connectivity and real-time information, and we can provide them with this through our Docking Management System. This connects our products, providing real-time data to our customers and our service teams for better management, control and maintenance of their fleet operations.

What will your priorities be in 2022 as a new leader for ASSA ABLOY Entrance Systems?
– Apart from safety, service excellence is at the core of our business and will continue to be a key pillar of our strategy. Customers are demanding intelligent solutions so our focus will be on customer-led product innovation in connectivity. We also continue to see opportunities in emerging markets and are focused on increasing our presence through greater penetration in these markets.

How is sustainability impacting the Entrance Systems division?
– Sustainability is changing our division for the better and employees are becoming more aware that they can make a difference as an individual. An example of this is our initiative to reduce waste generation where we are working with our vendors on pallet return programs instead of crushing them along with other waste in our compactors. Our engineering team is also excited about designing and investing in automation that is more efficient in terms of energy consumption. For example, moving away from hydraulic air solutions to electromechanical solutions to reduce the energy need. Furthermore, many of our products improve energy efficiency.

Markets
Entrance Systems is a global leader in automated entrance solutions. The product portfolio includes automatic, industrial, and commercial, high performance, residential garage and hangar doors. It also includes loading dock equipment, perimeter security, maintenance, and service. The entrance solutions are sold both directly to end-users as well as through several distribution channels. About 20% of sales are in the residential sector and 80% are in the commercial and institutional segments.

Report of the Board of Directors and Financial statements

Contents

Report of the Board of Directors

The Annual Report of ASSA ABLOY AB (publ.), corporate identity number 556059-3575, contains the consolidated financial statements for the fiscal year 1 January through 31 December 2021, including the nature and focus of the business. ASSA ABLOY is the global leader in access solutions, dedicated to satisfying end-user needs for security, safety and convenience.

Significant events

Sales and income

Business operations performed positively during the year, with gradual recovery of demand on most markets, primarily in North and South America and Europe. However, recovery was slower in Asia overall and for travel-related verticals in general on account of continued restrictions during the Covid-19 pandemic.

Sales increased by 8 percent for the full year and amounted to SEK 95,007 M (87,649). Organic growth was 11 percent (–8) and net acquired and divested growth was 2 percent (4). The exchange rate effect on sales was –5 percent (–3).

Operating income (EBIT) excluding items affecting comparability increased by 19 percent to SEK 14,181 M (11,916), equivalent to an operating margin of 14.9 percent (13.6). The improvement in income is primarily due to the strong sales growth, driven by improved global demand during the year. However, high price rises for raw materials of importance to the Group, combined with a general scarcity of certain materials and components in the latter part of the year, had a negative impact on income.

There were no items affecting comparability in 2021. Corresponding items for 2020 consisted of a positive revaluation to fair value of the former shareholding in agta record (shareholdings in associates) of SEK 1,909 M and costs for the restructuring program totaling SEK 1,366 M before tax.

Net financial items were SEK –643 M (–782). Income before tax excluding items affecting comparability totaled SEK 13,538 M (11,133), an increase of 19 percent. The effective tax rate on income excluding items affecting comparability was 19.5 percent (24.8). The lower effective tax rate is primarily due to non-recurring positive tax effects related to an intra-Group brand transfer. Earnings per share after full dilution, excluding items affecting comparability, increased 30 percent to SEK 9.81 (7.54).

Operating cash flow remained very strong and amounted to SEK 13,265 M (14,560), corresponding to cash conversion of 0.98 (1.31).

Restructuring

The restructuring program, launched at year-end 2020, proceeded well during 2021, with good savings effects. These activities are part of ASSA ABLOY's continuous cost savings and efficiency enhancements. Ten plant closures and around thirty office closures are planned during a two-year period. The total cost of the program, which is estimated at SEK 1,366 M before tax, was fully expensed in 2020. The payback period is expected to be about two years.

In 2021, just over 1,100 employees left the Group in conjunction with changes in the production and office organization. Two plant closures were implemented during the year, along with a number of other restructuring activities, including conversion from production to final assembly in production units.

In recent years, the Group has increasingly concentrated production on its own plants in Asia, Central Europe and Eastern Europe, as well as outsourcing to external suppliers in low-cost countries.

Payments for the restructuring programs totaled SEK 563 M (747) for the year. At year-end 2021, the remaining provisions for restructuring measures amounted to SEK 658 M (1,224).

Organization

A new organizational structure was implemented beginning in 2021 in the Asia Pacific division aimed at facilitating improved opportunities for long-term robust sales growth. Two new business units are being organized within the division: Opening Solutions Greater China and South East Asia and Opening Solutions Pacific and North East Asia.

In connection with the new organizational structure, operations in India, which was previously part of the Asia Pacific division, were moved to the EMEIA division with the aim of creating new growth opportunities. Sales on an annual basis for the operations that were transferred to EMEIA from Asia Pacific totaled about SEK 400 M. The transfer of operations has been recognized, from the time of the transfer, as internal acquisitions/divestments between the divisions without any retroactive financial translation.

Acquisition of HHI

In September 2021, ASSA ABLOY signed a definitive agreement to acquire the Hardware and Home Improvement (HHI) division of Spectrum Brands. HHI is a leading provider of security, plumbing, and builders' hardware products to the North American residential segment, with a diversified product offering of locksets, faucets, and builders' hardware.

HHI is headquartered in California, US, with some 7,500 employees worldwide. The company has manufacturing facilities in the US, Mexico, Taiwan, China, and the Philippines. HHI will become part of the Americas division.

The total consideration for the acquisition of HHI amounts to USD 4,300 M on a cash and debt free basis. The acquisition will be fully funded by existing cash and new debt.

For the fiscal year ending in September 2020, HHI's net sales were USD 1,342 M, with an adjusted EBITDA margin of approximately 19 percent. The operating margin effect for ASSA ABLOY is initially expected to be dilutive. The acquisition will be accretive to earnings per share from the start.

The acquisition is conditional upon regulatory approval and customary closing conditions, and is expected to close during 2022. ASSA ABLOY has agreed to pay the seller a termination fee of USD 350 M in certain circumstances if the transaction agreement is terminated and required regulatory approvals would not have been obtained.

Other acquisitions

In March 2021 ASSA ABLOY completed the acquisition of the Textile Services business unit of Invengo Information Technology Co, Ltd's, a leading real-time inventory management platform combining software, RFID tags, equipment and services to efficiently identify, track and monitor linen and textile assets. The company is headquartered in La Ciotat, France.

In May 2021 ASSA ABLOY acquired Sure-Loc, a leading supplier of residential locks and associated hardware in the US. The company is headquartered in Salt Lake City, US.

In August 2021 ASSA ABLOY acquired Capitol Door Service, a leading pedestrian door distributor and service company in the US. The company is headquartered in Sacramento, US.

In August 2021 ASSA ABLOY acquired Omni-ID, a leading manufacturer of RFID tags and industrial IoT hardware devices for passive and active tagging, tracking, monitoring and alerting applications, based in the US. The company is headquartered in Rochester, US.

In October 2021 ASSA ABLOY acquired MR Group's hardware division, a leading supplier of aluminum profile hardware and locks in Portugal. The company is headquartered in Águeda, Portugal.

In December 2021 ASSA ABLOY acquired B&B Roadway and Security Solutions, a manufacturer of roadway safety, traffic control and perimeter security solutions in the US. The company is headquartered in Texas, US.

In December 2021 ASSA ABLOY acquired Małkowski-Martech, a Polish producer of fire-rated curtains and gates. The company is listed on the Warsaw Stock Exchange. The company is headquartered in Czołowo, Poland.

In September 2021, ASSA ABLOY signed an agreement to acquire Arran Isle, a leading designer, manufacturer and distributor of door and window hardware in the UK. The company has some 560 employees and has manufacturing and distribution sites in the UK, Ireland, the rest of Europe and China. The acquisition is subject to regulatory approval and customary closing conditions and is expected to close during 2022.

The total purchase price of the 13 businesses acquired during the year, including adjustments for acquisitions from previous years, was SEK 1,887 M. The preliminary acquisition analyses indicate that goodwill and other intangible assets with an indefinite useful life amount to SEK 1,276 M. Estimated deferred considerations relating to acquisitions for the year totaled SEK 150 M.

No additional acquisitions of non-controlling interests occurred during the year.

Divestments

In September 2021 ASSA ABLOY divested CERTEGO, a market-leading locksmith and security solutions installation business in the Nordic region. It provides planning, installation and managing of mechanical, electro-mechanical and electronic security solutions for customers across multiple verticals. CERTEGO has a network of around 70 locations and with some 1,200 employees in Sweden, Finland, Norway and Denmark. The impact from the divestment on ASSA ABLOY's external sales is approximately SEK 1,500 M on an annual basis and will have a positive effect on the consolidated operating margin going forward. The divestment resulted in a capital loss before tax of SEK 196 M.

At the end of 2020, ASSA ABLOY sold its Italian residential door business within Gardesa. At the start of 2021, Gardesa's Italian shutter business was also divested. This divestment resulted in a small capital gain.

Research and development

ASSA ABLOY's expenditure on research and development during the year totaled SEK 3,936 M (3,902), equivalent to 4.1 percent (4.5) of sales.

The pace of innovation remained high during the year thanks to the continued commitment to invest in research and development. The number of employees in research and development at year-end was just over 2,800, which is comparable to the previous year.

Sustainable development

A number of ASSA ABLOY units outside Sweden carry on licensable activities and hold equivalent licenses under local legislation. ASSA ABLOY's units worldwide are working systematically and purposefully to reduce their environmental impact.

In accordance with the Swedish Annual Accounts Act, Chapter 6, Section 11, ASSA ABLOY opted to prepare the Sustainability Report as a separate report from the Annual Report. The Sustainability Report has been submitted to the auditor at the same time as the Annual Report.

The 2021 Sustainability Report, reporting on the Group's targets for 2021, and providing details of the 2025 sustainability program and other information about sustainable development, is available on the company's website, assaabloy.com.

Internal control and financial reporting

ASSA ABLOY's internal audit and internal control functions have dedicated internal auditors employed in all divisions. The internal audit function increased staff numbers during the year to enhance internal control and compliance in the company in general. The number of reviews was also increased in the past year, with a particular focus on financial reporting, including continuous reconciliation of balance sheets.

Transactions with related parties

No transactions occurred between ASSA ABLOY and related parties that significantly affected the company's financial position and performance.

Significant events after the financial year-end

The war in Ukraine could have a negative business impact on ASSA ABLOY, both short- and long-term. The impact on the business is very difficult to predict due to the uncertainty of market conditions, but the health and safety of our employees is our first priority.

Proposed distribution of earnings

The following earnings are at the disposal of the Annual General Meeting:

Share premium reserve:	SEK 787,314,216
Retained earnings carried forward:	SEK 11,384,265,521
Net income for the year:	SEK 6,631,244,591
Total:	**SEK 18,802,824,328**

The Board of Directors proposes that these earnings be appropriated as follows:

A dividend to the shareholders of SEK 4.20 per share	SEK 4,665,260,603
Be carried forward to the new financial year	SEK 14,137,563,725
Total:	**SEK 18,802,824,328[1]**

The Board of Directors' proposal for a dividend of SEK 4.20 (3.90) per share corresponds to an increase of 8 percent. In order to facilitate a more efficient cash management, the dividend is proposed to be paid in two equal installments, the first with the record date 29 April 2022 and the second with the record date 22 November 2022. If the proposal is adopted by the Annual General Meeting, the first installment is estimated to be paid on 4 May 2022 and the second installment on 25 November 2022.

Outlook

Long-term outlook

ASSA ABLOY anticipates an increase in demand for security solutions in the long term. A focus on customer value and innovations as well as leverage on ASSA ABLOY's strong position will accelerate growth and increase profitability.

Organic sales growth is expected to continue at a good rate. The operating margin (EBIT) and operating cash flow are expected to develop well.

[1] The dividend and retained earnings to be carried forward to the new financial year are calculated on the number of outstanding shares at 3 February 2022. No dividend is payable on ASSA ABLOY AB's holding of treasury shares, the exact number of which is determined on each record date for payment of dividend. ASSA ABLOY AB's holding of treasury shares amounted to 1,800,000 Series B shares at 3 February 2022.

Significant risks and risk management

Risk management

Uncertainty about future developments and the course of events is a natural risk for any business. Risk-taking in itself provides opportunities for continued economic growth, but naturally the risks may also have a negative impact on business operations and company goals. It is therefore essential to have a systematic and efficient risk assessment process and an effective risk management program in general. The purpose of risk management at ASSA ABLOY is not to avoid risks, but to take a controlled approach to identifying, managing and minimizing the effects of these risks. This work is based on an assessment of the probability of the risks and their potential impact on the Group.

ASSA ABLOY is an international Group with a wide geographical spread, involving exposure to various forms of strategic, operational and financial risks. Strategic risks refer to changes in the business environment with potentially significant effects on ASSA ABLOY's operations and business objectives. Operational risks comprise risks directly attributable to business operations, entailing a potential impact on the Group's financial position and performance. Financial risks mainly comprise financing risk, currency risk, interest rate risk, credit risk, and risks associated with the Group's pension obligations.

Organization

ASSA ABLOY's Board of Directors has overall responsibility for risk management within the Group and determines the Group's strategic focus based on recommendations from the Executive Team. In view of the decentralized structure of ASSA ABLOY, and to keep risk analysis and risk management as close as possible to the actual risks, a large proportion of operational risk management takes place at division and business unit levels.

Responsibility

ASSA ABLOY's Board of Directors has overall responsibility for the Group's strategic direction in close consultation with the Executive Team. Divisions and business units have overall responsibility for management of operational risks, in accordance with ASSA ABLOY's decentralized approach to organization, responsibility and authority. In the case of financial risks, allocation of responsibilities and control of the Group's financing activities are regulated in a financial policy adopted by the Board of Directors. A centralized Treasury function then has the main responsibility for financial risks within the framework established in the financial policy, with the exception of credit risks relating to operational business activities, which are managed locally at company level and monitored at division level.

Review process

Strategic risks, such as competitors, brand positioning and so on, are regularly reviewed at ASSA ABLOY AB's board meetings. The Group's operational risk management is continuously monitored by the Executive Team through divisional reporting and divisional board meetings.

Financial operations are centralized in a Treasury function, which manages most financial transactions as well as financial risks with a Group-wide focus. ASSA ABLOY's Treasury monitors the Group's short- and long-term financing, financial cash management, currency risk and other financial risk management.

Strategic risks

The risks of this nature encountered by ASSA ABLOY include various forms of business environment risks with an impact on the security market in general, mainly changes in customer behavior, competitors, brand positioning and country-specific risks. It has recently also been clarified that worldwide health risks posed by pandemics (Covid-19) can significantly impact societies and global demand around the world. ASSA ABLOY has therefore dedicated great effort to protecting the health of its employees. The business has also been negatively impacted by the pandemic. While it is difficult to predict the continued impact of the pandemic on business in 2022 due to the uncertainty in market conditions, the health and safety of ASSA ABLOY employees continues to be our highest priority.

Country-specific risks

ASSA ABLOY has global market penetration, with sales and production in a large number of countries. The emphasis is on western Europe and North America, but the proportion of sales in Asia and in central and eastern Europe has increased in recent years. Consequently, the Group has increased exposure to the emerging markets, which may entail a higher risk profile for country-specific risks in the form of inadequate compliance, policy decisions, overall changes in regulations and more.

Customer behavior

Changes in customer behavior in general and the actions of competitors affect demand for different products and their profitability. Customers and suppliers, including the Group's relationships with them, are subject to continuous local review.

Competitors

As regards competitors, risk analyses are carried out both centrally and locally.

Brand positioning

The Group owns a number of the strongest brands in the industry, including several global brands that complement the ASSA ABLOY master brand. Local product brands are gradually being linked increasingly to the master brand.

Reputational risk

Activities to maintain and further strengthen ASSA ABLOY's good reputation are constantly ongoing. These include ensuring compliance with ASSA ABLOY's Code of Conduct for employees and the Code of Conduct for business partners. These codes express the Group's values with regard to matters such as business ethics, human rights and working conditions, as well as the environment, health and safety.

Operational risks

Operational risks comprise risks directly attributable to business operations, with a potential impact on the Group's financial position and performance. They include legal and environmental risks, tax risks, acquisition of new businesses, restructuring measures, availability and price fluctuations of raw materials, and credit losses. This category also includes risks relating to compliance with laws and regulations, as well as to information technology (IT), internal control and financial reporting. See page 48 for a more detailed description of the management of these risks.

Financial risks

The Group's financial risks mainly comprise financing risk, currency risk, interest rate risk, credit risk, and risks associated with the Group's pension obligations. A large number of financial instruments are used to manage these risks. Accounting principles, risk management and risk exposure are described in more detail in Notes 1 and 35, as well as Note 25, Post-employment employee benefits.

Financing risk

Financing risk refers to the risk that financing the Group's capital requirements and refinancing outstanding loans become more difficult or more expensive. It can be reduced by maintaining an even maturity profile for borrowing and a solid credit rating. The risk is further reduced by substantial unutilized confirmed credit facilities.

Currency risk

Since ASSA ABLOY sells its products in countries worldwide and has companies in a large number of countries, the Group is exposed to the effects of exchange rate fluctuations. These fluctuations affect Group earnings when the income statements of foreign subsidiaries are translated to Swedish kronor (translation exposure), and when products are exported and sold in countries outside the country of production (transaction exposure). Translation exposure is primarily related to earnings in USD and EUR. This type of exposure is not hedged. Currency risk in the form of transaction exposure, i.e. the relative values of exports and imports of goods, is expected to increase over time due to rationalization of production and sourcing. In accordance with financial policy, the Group only hedged a very limited part of current currency flows in 2021. As a result, currency fluctuations had a direct impact on business operations.

Exchange rate fluctuations also affect the Group's debt-equity ratio and equity. The difference between the assets and liabilities of foreign subsidiaries in the respective foreign currency is affected by exchange rate fluctuations and causes a translation difference, which affects the Group's comprehensive income. A general weakening of the Swedish krona leads to an increase in net debt, but at the same time increases the Group's equity. At year-end, the largest foreign net assets were denominated in USD and EUR.

Interest rate risk

With respect to interest rate risks, interest rate changes have a direct impact on ASSA ABLOY's net interest expense. The net interest expense is also impacted by the size of the Group's net debt and its currency composition. Net debt was SEK 27,071 M (29,755) at year-end 2021. Debt was mainly denominated in USD and EUR. Group Treasury analyzes the Group's interest rate exposure and calculates the impact on income of interest rate changes on a rolling 12-month basis. In addition to raising variable-rate and fixed-rate loans, various interest rate swaps are used to adjust interest rate sensitivity.

Credit risk

Credit risk arises in ordinary business activities and as a result of financial transactions. Trade receivables are spread across a large number of customers, which reduces credit risk. Credit risks relating to operational business activities are managed locally at company level and monitored at division level.

Financial risk management exposes ASSA ABLOY to certain counterparty risks. Such exposure may arise, for example, as a result of the placement of surplus cash, borrowings and derivative financial instruments. Counterparty limits are set for each financial counterparty and are continuously monitored.

Pension obligations

At year-end 2021, ASSA ABLOY had obligations for pensions and other post-employment benefits of SEK 9,717 M (9,549). The Group manages pension assets valued at SEK 6,981 M (6,035). Provisions in the balance sheet for defined benefit and defined contribution plans and post-employment medical benefits totaled SEK 2,736 M (3,514). Changes in the value of assets and liabilities from year to year are due partly to the development of equity and interest rate markets and partly to the actuarial assumptions made. Significant remeasurement of obligations and plan assets is recognized on a current basis in the balance sheet and in other comprehensive income. The assumptions made include discount rates and anticipated inflation and salary increases.

ASSA ABLOY's risks

Strategic risks

Changes in the business environment with potentially significant effects on operations and business objectives.

- Country-specific risks
- Customer behavior
- Competitors
- Brand positioning
- Reputational risk
- Pandemics and other global health risks

Operational risks

Risks directly attributable to business operations with a potential impact on financial position and performance.

- Legal and environmental risks
- Tax risks
- Acquisition of new businesses
- Restructuring measures
- Price fluctuations and availability of raw materials
- Credit losses
- Insurance risks
- Risks relating to internal control
- Risks relating to IT

Financial risks

Financial risks with a potential impact on financial position and performance.

- Financing risk
- Currency risk
- Interest rate risk
- Credit risk
- Risks associated with pension obligations

ASSA ABLOY's operational risks and risk management

Operational risks	Risk management	Comments
Legal risks	The Group continuously monitors anticipated and implemented changes in legislation in the countries in which it operates. Ongoing and potential disputes and other legal matters are reported regularly to the Group's central legal function. Policies and guidelines on compliance with applicable competition, export control, anti-corruption and data protection legislation have been implemented.	At year-end 2021, there are considered to be no outstanding legal disputes that may lead to significant costs for the Group.
Environmental risks	Ongoing and potential environmental risks are regularly monitored in the operations. External expertise is brought in for environmental assessments when necessary.	Prioritized environmental activities and other information on sustainable development are reported in the Group's Sustainability Report.
Tax risks	Ongoing and potential tax cases are regularly reported to the Group's central tax function.	At year-end 2021, there are considered to be no ongoing tax cases with a significant impact on the Group's earnings.
Acquisition of new businesses	Acquisitions are carried out by a number of people with considerable acquisition experience and with the support of, for example, legal and financial consultants. Acquisitions are carried out according to a uniform and predefined Group-wide process. This consists of four documented phases: strategy, evaluation, implementation and integration.	ASSA ABLOY maintained a high acquisition rate during the year, acquiring 13 businesses, and signing a contract for the acquisition of HHI, the largest acquisition in the history of the Group. The Group's acquisitions in 2021 are reported in greater detail in the Report of the Board of Directors and in Note 33, Business combinations.
Restructuring measures The restructuring programs mainly entail some production units being closed or changing their focus to mainly performing final assembly, combined with office closures.	The restructuring programs are carried on as a series of projects with stipulated activities and schedules. The various projects in the respective restructuring program are systematically monitored on a regular basis.	The most recent restructuring program was launched at the end of 2020 involving the closure of about ten factories and about thirty offices over a two-year period. The level of activity in the program was high during the year. The scope, costs and savings of the restructuring programs are presented in more detail in the Report of the Board of Directors.
Price fluctuations and availability of raw materials	Raw materials are purchased and handled primarily at division and business unit level. Regional committees coordinate these activities with the help of senior coordinators for selected material components.	The market prices of raw material components, for example steel, that are important to the Group rose sharply during the year. For further information about procurement of materials, see Note 7, Expenses by nature.
Credit losses	Trade receivables are spread across a large number of customers in many markets. No individual customer in the Group accounts for more than two percent of sales. Commercial credit risks are managed locally at company level and monitored at division level.	Receivables from each customer are relatively small in relation to total trade receivables. The risk of significant credit losses for the Group is considered to be limited, but credit risk has been assessed to have increased in the past two years, given the global Covid-19 pandemic and its impact on global demand.
Insurance risks	A Group-wide insurance program is in place, mainly relating to property, business interruption and liability risks. This program covers all business units. The Group's exposure to the risk areas listed above is regulated by means of its own captive insurance company.	The Group's insurance cover is considered to be generally adequate, providing a reasonable balance between assessed risk exposure and insurance costs.
Risks relating to internal control	The organization is considered to be relatively transparent, with a clear allocation of responsibilities. A well-established Controller organization at both division and Group level monitors financial reporting quality. Instructions on the allocation of responsibilities, authorization and procedures for orders, sourcing, etc., are laid out in an internal control guide with rules and regulations that were updated during the year. Compliance is evaluated annually for all operating companies. An annual internal audit of financial reporting is performed for selected Group companies on a rotating basis.	ASSA ABLOY's internal audit and internal control functions have dedicated internal auditors employed in all divisions. More reviews were conducted during the year. Internal control and other related issues are reported in more detail in the Report of the Board of Directors, section on Corporate governance. Further information on risk management relating to financial reporting can be found in the Report of the Board of Directors, section on Corporate governance. See also the section "Basis of preparation" in Note 1.
Risks relating to Information technology (IT)	Preventive measures are in place to protect business-critical information from unauthorized individuals and organizations.	IT security is a high priority area at ASSA ABLOY through constant efforts to maintain and strengthen the level of security for the Group's business information.

Corporate governance

ASSA ABLOY AB is a Swedish public limited liability company with registered office in Stockholm, Sweden, whose Series B share is listed on Nasdaq Stockholm.

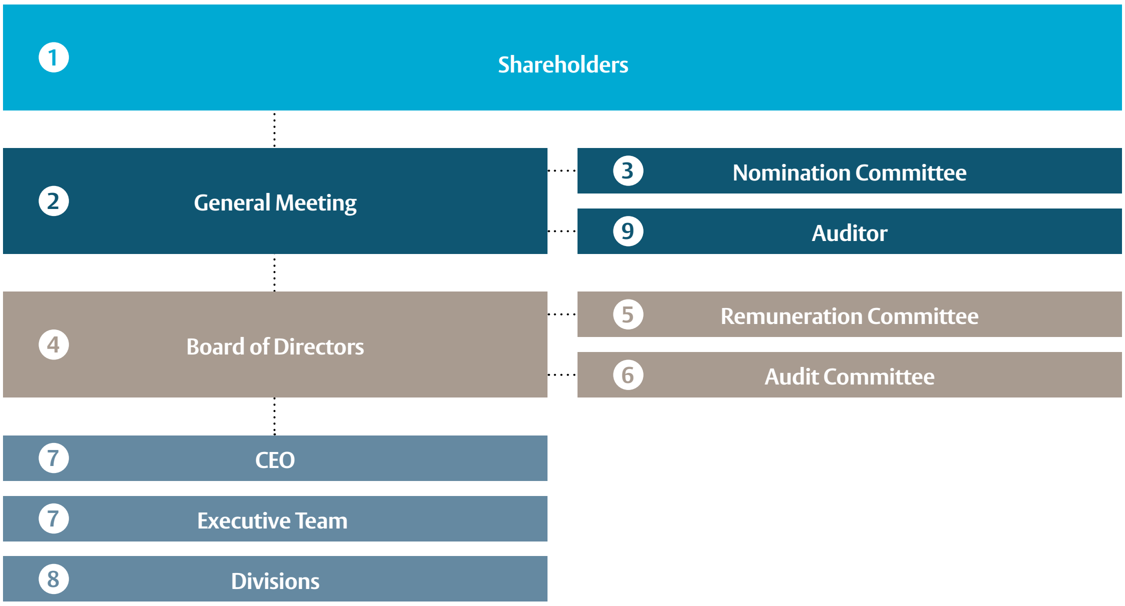
ASSA ABLOY's corporate governance is based on the Swedish Companies Act, the Annual Accounts Act, Nasdaq Stockholm's Rule Book for Issuers and the Swedish Corporate Governance Code (the Code), as well as other applicable external laws, rules and regulations, and internal rules and regulations.

This Corporate Governance Report has been prepared as part of ASSA ABLOY's application of the Code. ASSA ABLOY follows the Code's principle to "comply or explain" and in 2021 ASSA ABLOY has one deviation to explain. The Nomination Committee deviates from the Code's Rule 2.4 to the extent that, prior to the 2022 Annual General Meeting, board member Johan Hjertonsson (Investment AB Latour) is Chairman of the Nomination Committee and, prior to the 2021 Annual General Meeting, the Vice Chairman of the Board of Directors, Carl Douglas (Investment AB Latour), was Chairman of the Nomination Committee. The reason for this deviation is that the major shareholders consider it important to have the representative from the largest shareholder as Chairman of the Nomination Committee.

The Corporate Governance Report is examined by ASSA ABLOY's auditor.

ASSA ABLOY's objective is that its operations should generate good long-term returns for its shareholders and other stakeholders. An effective scheme of corporate governance for ASSA ABLOY can be summarized in a number of interacting components, which are described below.

Corporate governance structure



Important external rules and regulations
- Swedish Companies Act
- Annual Accounts Act
- Nasdaq Stockholm's Rule Book for Issuers
- Swedish Corporate Governance Code (www.bolagsstyrning.se)

Important internal rules and regulations
- Articles of Association
- Board of Directors' rules of procedure
- Financial Policy
- Accounting Manual
- Communication Policy
- Insider Policy
- Internal control procedures
- Code of Conduct and Anti-Corruption Policy

1 Shareholders

At year-end 2021, ASSA ABLOY had 45,698 shareholders. ASSA ABLOY's principal shareholders are Investment AB Latour (9.5 percent of the share capital and 29.4 percent of the votes) and Melker Schörling AB (3.1 percent of the share capital and 10.9 percent of the votes). Foreign shareholders accounted for 67.3 percent of the share capital and 45.9 percent of the votes. The ten largest shareholders accounted for 36.1 percent of the share capital and 56.4 percent of the votes. For further information on shareholders, see page 110.

ASSA ABLOY's Articles of Association contain a pre-emption clause for owners of Series A shares regarding shares of Series A. A shareholders' agreement exists between the Douglas and Schörling families and their related companies that includes an agreement on right of first refusal if any party disposes of Series A shares. The Board of Directors of ASSA ABLOY is not aware of any other shareholders' agreements or other agreements between shareholders in ASSA ABLOY.

Share capital and voting rights

ASSA ABLOY's share capital at the end of 2021 amounted to SEK 370,858,778 distributed among a total of 1,112,576,334 shares, comprising 57,525,969 Series A shares and 1,055,050,365 Series B shares. The total number of votes amounted to 1,630,310,055. Each Series A share carries ten votes and each Series B share one vote. All shares have a par value of around SEK 0.33 and give shareholders equal rights to the company's assets and earnings.

Repurchase of own shares

Since 2010, the Board of Directors has requested and received a mandate from the Annual General Meeting to repurchase and transfer ASSA ABLOY Series B shares. The aim has been, among other things, to secure the company's undertakings in connection with its long-term incentive programs (LTI). The 2021 Annual General Meeting authorized the Board of Directors to acquire, during the period until the next Annual General Meeting, a maximum number of Series B shares so that after each repurchase ASSA ABLOY holds a maximum 10 percent of the total number of shares in the company.

ASSA ABLOY holds a total of 1,800,000 Series B shares after repurchase. The cost for these shares amounts to SEK 103 M. The shares account for around 0.2 percent of the share capital and each share has a par value of around SEK 0.33. No shares were repurchased in 2021.

Share and dividend policy

ASSA ABLOY's Series B share is listed on the Nasdaq Stockholm Large Cap. At the end of 2021, ASSA ABLOY's market capitalization amounted to SEK 307,294 M, calculated on both Series A and Series B shares. The Board of Directors' objective is that, in the long term, the dividend should be equivalent to 33–50 percent of income after standard tax, but always taking into account ASSA ABLOY's long-term financing requirements.

2 General Meeting

Shareholders' rights to decide on the affairs of ASSA ABLOY are exercised at the General Meeting. Shareholders who are registered in the share register on the record date and have duly notified their intent to attend are entitled to take part in the General Meeting, either in person or by proxy. Resolutions at the General Meeting are normally passed by simple majority. For certain matters, however, the Swedish Companies Act prescribes that a proposal should be supported by a higher majority. Individual shareholders who wish to submit a matter for consideration at the General Meeting can send such request to ASSA ABLOY's Board of Directors at a special address published on the company's website well before the Meeting.

The Annual General Meeting should be held within six months of the end of the company's financial year. Matters considered at the Annual General Meeting include: dividend; adoption of the income statement and balance sheet; discharge of the members of the Board of Directors and the CEO from liability; election of members of the Board of Directors, Chairman of the Board of Directors and auditor; and fees for the Board of Directors and auditor. An Extraordinary General Meeting may be held if the Board of Directors considers this necessary or if ASSA ABLOY's auditor or shareholders holding at least 10 percent of the shares so request.

2021 Annual General Meeting

At the Annual General Meeting on 28 April 2021, shareholders representing 52.5 percent of the share capital and 67.6 percent of the votes participated. In light of the Covid-19 pandemic, the Annual General Meeting was carried out solely through advance voting (postal voting) pursuant to temporary legislation. The Annual General Meeting's resolutions included the following.

- Dividend of SEK 3.90 per share, paid in two equal installments.
- Lars Renström, Carl Douglas, Eva Karlsson, Lena Olving, Sofia Schörling Högberg and Joakim Weidemanis were re-elected as members of the Board of Directors. Birgitta Klasén and Jan Svensson decided not to stand for re-election.
- Johan Hjertonsson and Susanne Pahlén Åklundh were elected as new members of the Board of Directors.
- Lars Renström was re-elected as Chairman of the Board of Directors, and Carl Douglas was re-elected as Vice Chairman.
- The audit firm Ernst & Young AB was re-elected as the company's auditor.
- Remuneration of the Board of Directors.
- Approval of the Board of Directors' report on remuneration as per Chapter 8, Section 53 a, of the Swedish Companies Act (remuneration report).
- Authorization to the Board of Directors regarding repurchase and transfers of own Series B shares.
- A long-term incentive program for senior executives and other key employees in the Group (LTI 2021).

For more information about the Annual General Meeting, including the minutes, see ASSA ABLOY's website assaabloy.com.

2022 Annual General Meeting

ASSA ABLOY's next Annual General Meeting will be held on 27 April 2022 in Stockholm, Sweden.

3 Nomination Committee

The 2018 Annual General Meeting adopted instructions for the Nomination Committee, comprising a procedure for appointing the Nomination Committee, which apply until further notice. According to these instructions, the Nomination Committee shall be composed of representatives of the five largest shareholders in terms of voting rights registered in the shareholders' register maintained by Euroclear Sweden AB as of 31 August the year before the Annual General Meeting. Where a shareholder declines to participate in the Nomination Committee, a representative from the largest shareholder in turn shall be appointed.

The Nomination Committee prior to the 2022 Annual General Meeting comprises Johan Hjertonsson (Investment AB Latour), Mikael Ekdahl (Melker Schörling AB), Marianne

Nilsson (Swedbank Robur Fonder), Liselott Ledin (Alecta) and Yvonne Sörberg (Handelsbanken Fonder). Johan Hjertonsson is the Chairman of the Nomination Committee. The Nomination Committee has the task of preparing, on behalf of the shareholders, proposals regarding the election of Chairman of the General Meeting; members of the Board of Directors, Chairman of the Board, Vice Chairman of the Board; auditor; fees for the board members including division between the Chairman, Vice Chairman and the other board members, as well as fees for committee work; fees to the company's auditor, and any changes of the instructions for the Nomination Committee. The Audit Committee assists the Nomination Committee in work associated with the proposal regarding appointment of the external auditor.

Prior to the 2022 Annual General Meeting, the Nomination Committee makes an assessment of whether the current Board of Directors is appropriately composed and fulfills the requirements imposed on the Board of Directors by the company's present situation and future direction. The annual evaluation of the Board of Directors and its work is part of the basis for this assessment. Moreover, the Nomination Committee applies ASSA ABLOY's diversity policy for the Board of Directors, which is based on Rule 4.1 of the Code, when preparing its proposal for election of members of the Board of Directors. The search for suitable board members is carried on throughout the year and proposals for new board members are based in each individual case on a profile of requirements established by the Nomination Committee.

Shareholders wishing to submit proposals to the Nomination Committee can do so by e-mailing: nominationcommittee@assaabloy.com.

The Nomination Committee's proposals for the 2022 Annual General Meeting are published, at the latest, in conjunction with the formal notification of the Annual General Meeting, which is expected to be issued around 23 March 2022.

4 Board of Directors

In accordance with the Swedish Companies Act, the Board of Directors is responsible for the organization and administration of the Group and for ensuring satisfactory control of bookkeeping, asset management and other financial circumstances. The Board of Directors decides on the Group's overall objectives, strategies, Group policies, acquisitions and divestments as well as investments of major importance. Acquisitions and divestments with a value (on a debt-free basis) exceeding SEK 200 M are decided by the Board of Directors. The threshold amount presumes that the matter relates to acquisitions or divestments in accordance with the strategy agreed by the Board of Directors. The Board of Directors approves documents such as the Annual Report and Interim Reports, proposes a dividend to the Annual General Meeting, and makes decisions concerning the Group's financial structure.

The Board of Directors' other ongoing duties include:

- appointing, evaluating and if necessary, dismissing the CEO,
- approving the CEO's significant assignments outside the company,
- identifying how sustainability issues impact risks to, and business opportunities for, the company,
- establishing appropriate guidelines to govern the company's conduct in society with the aim of ensuring long-term value-creating capability,
- ensuring that appropriate systems are in place for following up and controlling the company's operations and the risks for the company associated with its operations,
- ensuring that there is satisfactory control of the company's compliance with laws and other regulations relevant to the company's operations, and its compliance with internal guidelines, and
- ensuring that external information provided by the company is transparent, accurate, relevant and reliable.

Each year, the Board of Directors reviews and adopts the Board of Directors' rules of procedure, which is the document that governs the work of the Board and the distribution of duties between the Board of Directors and the CEO. The rules of procedure include instructions for the CEO, instructions relating to financial reporting and internal control, and instructions to the Remuneration Committee and the Audit Committee.

Included in the rules of procedure is a description of the role of Chairman of the Board. In addition to organizing and leading the work of the Board of Directors, the Chairman's duties include maintaining contact with the CEO to continuously monitor the Group's operations and development, consulting with the CEO on strategic issues, representing the company in matters concerning the ownership structure, ensuring that the Board receives satisfactory information and data on which to base decisions and ensuring that Board decisions are implemented. In addition, the Chairman should ensure that the work of the Board of Directors is evaluated annually.

The Board of Directors has at least four ordinary meetings and one statutory meeting per year. An ordinary Board meeting is always held in connection with the company's publication of its Year-end Report and Interim Reports. At least once a year the Board of Directors visits one of the Group's operations, combined with a Board meeting. In addition, extraordinary Board meetings are held when necessary. All meetings follow an approved agenda. Prior to each meeting, a draft agenda, including documentation, is provided to all members of the Board of Directors.

The Board of Directors has a Remuneration Committee and an Audit Committee. The purpose of these Committees is to deepen and streamline the work of the Board of Directors and to prepare matters in these areas. The members of the Committees are appointed annually by the Board of Directors at the statutory Board meeting.

Board of Directors' composition

The Board of Directors, including the Chairman and Vice Chairman of the Board, is elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting and shall, according to the Articles of Association, comprise a minimum of six and a maximum of ten members elected by the Meeting. The Board of Directors also has two members who are appointed by employee organizations in accordance with Swedish law. The employee organizations also appoint two deputies. The

Board of Directors has consisted of eight elected members and two employee representatives since the 2021 Annual General Meeting. No board members are included in the Executive Team. For a presentation of the Board of Directors, see pages 54–55.

The diversity policy that ASSA ABLOY applies with respect to the company's Board of Directors is based on Rule 4.1 of the Code. The objective is that the composition of the Board of Directors, taking into account the company's operations, stage of development and other circumstances, shall be appropriate, characterized by versatility and breadth regarding qualifications, experience and background of the elected members, and strive to achieve gender equality. In 2021 the Nomination Committee has taken the diversity policy into account when preparing its proposal for election of members of the Board of Directors prior to the Annual General Meeting. After the election at the 2021 Annual General Meeting, the composition of the members of the Board of Directors elected by the Annual General Meeting is such that 50 percent are women and 50 percent are men, which is in line with the Swedish Corporate Governance Board's aspiration for each gender to represent a share of at least 40 percent of the Board of Directors. In addition, an in-depth review of the operations of the EMEIA division was conducted during the year to broaden the expertise of the Board of Directors within ASSA ABLOY.

Board of Directors' work in 2021

The Board of Directors held eight meetings during the year (of which two were per capsulam). At the ordinary Board meetings the President and CEO reported on the Group's performance and financial position, including the outlook for the coming quarters. Acquisitions and divestments were also discussed to the extent they arose.

Major issues addressed by the Board of Directors during the year include the Group's strategy and the impact and consequences of the Covid-19 pandemic. The Board of Directors also focused on the acquisition strategy and addressed the acquisition of the Hardware and Home Improvement division of Spectrum Brands. The Board of Directors also addressed a number of other acquisitions, including those of Capitol Door Service, Arran Isle and B&B Roadway and Security, and the divestment of the Nordic locksmith business CERTEGO as well as the divestments of the Italian residential door business within Gardesa and Gardesa's Italian shutter business. The Board of Directors visited the EMEIA division's operations in the Czech Republic during the year. The Board of Directors' work is summarized in the timeline on pages 52–53.

An evaluation of the Board of Directors' work is conducted annually in the form of a web-based survey, which each board member responds to individually. A summary of the results is presented to the Board of Directors. Board members who wish can access the complete results of the evaluation. The Secretary to the Board of Directors presents the complete results of the evaluation to the Nomination Committee.

5 Remuneration Committee

Since the statutory Board meeting after the 2021 Annual General Meeting, the Remuneration Committee has consisted of Lars Renström (Chairman) and Johan Hjertonsson.

The Remuneration Committee has the task of drawing up guidelines for remuneration to senior executives, which the Board of Directors proposes to the Annual General Meeting for resolution. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year. For information about ASSA ABLOY's current guidelines for remuneration to senior executives that were adopted at the 2020 Annual General Meeting, see Note 34. The Board of Directors' proposal for new guidelines prior to the 2022 Annual General Meeting is set out on pages 60–61.

The Remuneration Committee also prepares, monitors and evaluates matters regarding salaries, bonus, pension, severance pay and incentive programs for the CEO and other senior executives. The Committee has no decision-making powers.

The Committee held two meetings in 2021. Its work included preparing a proposal for the remuneration report, preparing a proposal for the remuneration of the Executive Team, evaluating existing incentive programs, and preparing a proposal for a new long-term incentive program. Remuneration Committee meetings are minuted; a copy of the minutes is enclosed with the materials provided to the Board and a verbal report is given at Board meetings.

Summary of Board of Directors' work and committee meetings in 2021

January	February	March	April	May	June
	Ordinary Board meeting Year-end results Proposal dividend Annual Report Auditor's report Sustainability Report Proposals to Annual General Meeting Evaluation Executive Team Acquisitions		**Ordinary Board meeting** Interim Report Q1 Acquisition strategy Acquisitions		
	Remuneration Committee meeting **Audit Committee meeting**	**Extraordinary Board meeting (per capsulam)** Notice Annual General Meeting	**Audit Committee meeting** **Statutory Board meeting (per capsulam)** Appointment committee members Adoption Board of Directors' rules of procedure and Group policies Signatory powers		**Remuneration Committee meeting**

At the ordinary Board meetings the President and CEO also reported on the Group's performance and financial position, including the outlook for the coming quarters.

6 Audit Committee

Since the statutory Board meeting after the 2021 Annual General Meeting, the Audit Committee has consisted of Lars Renström (Chairman), Johan Hjertonsson and Lena Olving.

The duties of the Audit Committee include continuous monitoring and quality assurance of ASSA ABLOY's financial reporting. Regular communication is maintained with the company's external auditor, including on the focus and scope of the audit. The Audit Committee is also responsible for evaluating the audit assignment and obtaining the results of the Swedish Inspectorate of Auditors' quality control of the auditor, as well as informing the Board of Directors of the results of the evaluation. The Audit Committee also has the task of supporting the Nomination Committee in providing a proposal for the appointment of external auditor. Furthermore, the Audit Committee shall review and monitor the impartiality and independence of the auditor, paying particular attention to whether the auditor provides the company with services other than auditing services. The Audit Committee establishes guidelines for procurement of services other than audit services from ASSA ABLOY's auditors, and, if applicable, it approves such services according to these guidelines, and establishes guidelines for the appointment of new local audit firms. Otherwise, the Committee has no decision-making powers.

The Committee held four meetings in 2021. The company's external auditor and representatives from senior management also participated at these meetings. More important matters dealt with by the Audit Committee during the year included internal control, financial statements and valuation matters, tax matters, insurance and risk management matters and legal risk areas. Audit Committee meetings are minuted; a copy of the minutes is enclosed with the materials provided to the Board and a verbal report is given at Board meetings.

Remuneration of the Board of Directors

The General Meeting passes a resolution on the remuneration to be paid to board members. The 2021 Annual General Meeting passed a resolution on Board fees totaling SEK 8,500,000 (excluding remuneration for committee work) to be allocated between the members as follows: SEK 2,700,000 to the Chairman, SEK 1,000,000 to the Vice Chairman, and SEK 800,000 to each of the other members elected by the Annual General Meeting. As remuneration for committee work, the Chairman of the Audit Committee is to receive SEK 325,000, the Chairman of the Remuneration Committee SEK 150,000, members of the Audit Committee (except the Chairman) SEK 225,000 each, and member of the Remuneration Committee (except the Chairman) SEK 75,000.

The Chairman and other board members have no pension benefits or severance pay agreements. The employee representatives do not receive board fees. For further information on the remuneration of board members in 2021, see Note 34.

Attendance at Board and Committee meetings in 2021

Board members	Board	Audit Committee	Remuneration Committee
Lars Renström[1]	8	2	2
Carl Douglas	8		
Johan Hjertonsson[2]	5	2	1
Sofia Schörling Högberg[3]	8	2	
Eva Karlsson	8		
Birgitta Klasén[4]	3	2	
Lena Olving[5]	8	2	
Jan Svensson[6]	3	2	1
Joakim Weidemanis	8		
Susanne Pahlén Åklundh[7]	5		
Rune Hjälm	8		
Mats Persson	8		
Total number of meetings	**8**	**4**	**2**

[1] Appointed Chairman of the Audit Committee on 28 April 2021.
[2] Elected as a new member of the Board at the Annual General Meeting on 28 April 2021 and appointed a member of the Audit Committee and the Remuneration Committee on the same day.
[3] Resigned as member of the Audit Committee on 28 April 2021.
[4] Resigned as member of the Board at the Annual General Meeting on 28 April 2021 and thus also resigned as member of the Audit Committee.
[5] Appointed a member of the Audit Committee on 28 April 2021.
[6] Resigned as member of the Board at the Annual General Meeting on 28 April 2021 and thus also resigned as Chairman of the Audit Committee and member of the Remuneration Committee.
[7] Elected as a new member of the Board at the Annual General Meeting on 28 April 2021.

July	August	September	October	November	December
Ordinary Board meeting Interim Report Q2 Acquisitions	**Ordinary Board meeting** Acquisitions		**Ordinary Board meeting and visit to operations** Visit EMEIA **Ordinary Board meeting** Interim Report Q3 Strategy Evaluation Board of Directors		
Audit Committee meeting			**Audit Committee meeting**		

Board of Directors

Elected by the 2021 Annual General Meeting

1 Lars Renström
Chairman.
Board member since 2008.
Born 1951.
Master of Science in Engineering and Master of Science in Business and Economics.
President and CEO of Alfa Laval AB 2004–2016. President and CEO of Seco Tools AB 2000–2004. President and Head of Division of Atlas Copco Rock Drilling Tools 1997–2000. Previously a number of senior positions at ABB and Ericsson.
Other appointments: Chairman of Tetra Laval Group.
Shareholdings (including through companies and related natural parties): 30,000 Series B shares.

2 Carl Douglas
Vice Chairman.
Board member since 2004.
Born 1965.
BA (Bachelor of Arts) and D. Litt (h.c.) (Doctor of Letters).
Self-employed.
Other appointments: Board member of Investment AB Latour.
Shareholdings (including through companies and related natural parties): 41,595,729 Series A shares and 63,900,000 Series B shares through Investment AB Latour.

3 Johan Hjertonsson
Board member since 2021.
Born 1968.
Master of Science in Business and Economics.
President and CEO of Investment AB Latour since 2019. Previously President and CEO of AB Fagerhult and Lammhults Design Group AB and various management positions within the Electrolux Group.
Other appointments: Chairman of Nederman Holding AB, Swegon Group AB, Hultafors Group AB, Nord-Lock International AB, Caljan AS, Alimak Group AB and Latour Industries AB. Board member of Investment AB Latour and Sweco AB.
Shareholdings (including through companies and related natural parties): 10,000 Series B shares.

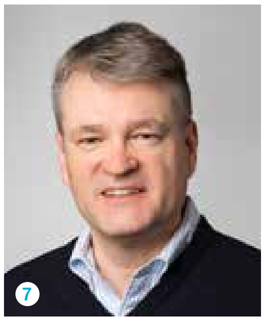
4 Sofia Schörling Högberg
Board member since 2017.
Born 1978.
BSc (Bachelor of Science) in Business Administration.
Other appointments: Board member of Melker Schörling AB, Securitas AB and Hexagon AB.
Shareholdings (including through companies and related natural parties): 15,930,240 Series A shares and 18,120,992 Series B shares through Melker Schörling AB as well as 325,800 Series B shares through Edeby-Ripsa Skogsförvaltning AB.

5 Eva Karlsson
Board member since 2015.
Born 1966.
Master of Science in Engineering.
CEO of Sjöson Industri & Teknik since July 2021. CEO and Vice President Product Supply Arcam EBM 2020-2021. President and CEO of Armatec AB 2014-2019. CEO of SKF Sverige AB and Global Manufacturing Manager 2011-2013. Director of Industrial Marketing & Product Development Industrial Market AB SKF 2005-2010. Various positions in the SKF Group primarily within Manufacturing Management.
Other appointments: Board member of Ratos AB, Modvion AB and Sjöson AB.
Shareholdings (including through companies and related natural parties): 500 Series B shares.

6 Lena Olving
Board member since 2018.
Born 1956.
Master of Science in Mechanical Engineering.
President and CEO of Mycronic AB 2013–2019. COO and Deputy CEO of Saab AB 2008–2013. Various positions within Volvo Car Corporation 1980–1991 and 1995–2008 of which seven years in the Executive Management Team. CEO of Samhall Högland AB 1991–1994.
Other appointments: Chairman of the Royal Swedish Opera, ScandiNova Systems AB and Academic Work. Board member of Investment AB Latour, Munters Group AB, NXP Semiconductor N.V. and Stena Metall AB. Fellow of the Royal Swedish Academy of Engineering Sciences (IVA).
Shareholdings (including through companies and related natural parties): 600 Series B shares.

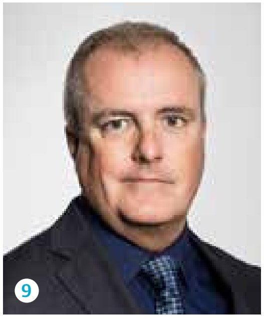
7 Joakim Weidemanis
Board member since 2020.
Born 1969.
Master of Science in Business and Economics.
Executive Vice President and Corporate Officer of Danaher Corporation since 2017. Previously various management positions within Danaher 2011–2017. Head of Product Inspection and Corporate Officer of Mettler Toledo 2005–2011. Previously various operating and corporate development roles within ABB 1995–2005.
Other appointments: –
Shareholdings (including through companies and related natural parties): –

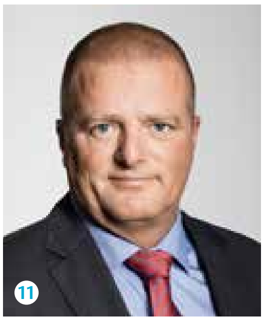
8 Susanne Pahlén Åklundh
Board member since 2021.
Born 1960.
Master of Science in Engineering.
President of the Energy Division of Alfa Laval AB 2017-August 2021. PrevHioulsy various positions in the Alfa Laval Group Management since 2009.
Other appointments: Chairman of Alfdex AB.
Shareholdings (including through companies and related natural parties): 2,500 Series B shares.

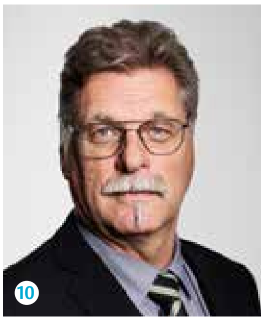


Appointments and shareholdings at 31 December 2021 unless stated otherwise.

Appointed by employee organizations







9 Rune Hjälm

Board member since 2017.
Born 1964.
Employee representative, IF Metall. Chairman of European Works Council (EWC) in the ASSA ABLOY Group.
Shareholdings (including through companies and related natural parties): –

10 Mats Persson

Board member since 1994.
Born 1955.
Employee representative, IF Metall.
Shareholdings (including through companies and related natural parties): –

11 Bjarne Johansson

Deputy board member since 2015.
Born 1966.
Employee representative, IF Metall.
Shareholdings (including through companies and related natural parties): –

12 Nadja Wikström

Deputy board member since 2017.
Born 1959.
Employee representative, Unionen.
Shareholdings (including through companies and related natural parties): –

ASSA ABLOY's Board of Directors fulfills the requirements for independence in accordance with the Swedish Corporate Governance Code.

Independence of the Board of Directors

Name	Position	Independent of the company and its management	Independent of the company's major shareholders
Lars Renström	Chairman	Yes	Yes
Carl Douglas	Vice Chairman	Yes	No
Johan Hjertonsson	Board member	Yes	No
Sofia Schörling Högberg	Board member	Yes	No
Eva Karlsson	Board member	Yes	Yes
Lena Olving	Board member	Yes	No
Joakim Weidemanis	Board member	Yes	Yes
Susanne Pahlén Åklundh	Board member	Yes	Yes

The Board of Directors' composition and shareholdings

Name	Position	Elected	Born	Remuneration Committee	Audit Committee	Series A shares[1]	Series B shares[1]
Lars Renström	Chairman	2008	1951	Chairman	Chairman	–	30,000
Carl Douglas	Vice Chairman	2004	1965	–	–	41,595,729	63,900,000
Johan Hjertonsson	Board member	2021	1968	Member	Member	–	10,000
Sofia Schörling Högberg	Board member	2017	1978	–	–	15,930,240	18,446,792
Eva Karlsson	Board member	2015	1966	–	–	–	500
Lena Olving	Board member	2018	1956	–	Member	–	600
Joakim Weidemanis	Board member	2020	1969	–	–	–	–
Susanne Pahlén Åklundh	Board member	2021	1960	–	–	–	2,500
Rune Hjälm	Board member, employee representative	2017	1964	–	–	–	–
Mats Persson	Board member, employee representative	1994	1955	–	–	–	–
Bjarne Johansson	Deputy, employee representative	2015	1966	–	–	–	–
Nadja Wikström	Deputy, employee representative	2017	1959	–	–	–	–

[1] Through companies and related natural parties.

Appointments and shareholdings at 31 December 2021 unless stated otherwise.

Executive Team

1 Nico Delvaux

President and CEO since 2018, Head of Global Technologies division since 2018 and of the Asia Pacific division since 2021.
Born 1966.
Master of Engineering in Electromechanics and executive MBA.
Previous positions: President and CEO of Metso Corporation August 2017–February 2018. Previously various positions in the Atlas Copco Group, including Business Area President Compressor Technique 2014–2017, Business Area President Construction Technique 2011–2014, and various positions in sales, marketing, service, acquisition integration management and General Manager in markets including Benelux, Italy, China, Canada, and the United States 1991–2011.
Shareholdings (including through companies and related natural parties): 122,534 Series B shares and 94,787 call options.

2 Erik Pieder

Executive Vice President and Chief Financial Officer (CFO) since 2019.
Born 1968.
MBA and Master of Laws.
Previous positions: Various positions in the Atlas Copco Group 1996–2019, including Vice President Business Control Compressor Technique.
Shareholdings: 4,700 Series B shares.

3 Lucas Boselli

Executive Vice President and Head of Americas division since 2018.
Born 1976.
Bachelor of Science in Industrial Engineering.
Previous positions: Various positions in the ASSA ABLOY Group, including President of ASSA ABLOY Central and South America 2014–2018 and President of Yale Latin America 2012–2014. Previously various positions in Ingersoll Rand 2000–2010.
Shareholdings: 32,078 Series B shares.

4 Simon Ellis

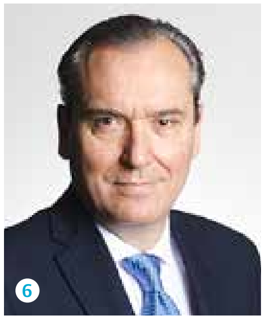
Executive Vice President and Head of Asia Pacific business unit ASSA ABLOY Opening Solutions Pacific and North East Asia since 2021.
Born 1974.
MBA.
Previous positions: Various positions in the ASSA ABLOY Group, including President of Opening Solutions Pacific Region and Japan 2016–2020 and President of Opening Solutions New Zealand 2013–2016, General Manager Security Merchants Australia 2010–2013. Previously various positions in the ASSA ABLOY Group 1997–2010.
Shareholdings: 6,999 Series B shares.

5 Maria Romberg Ewerth

Executive Vice President and Chief Human Resources Officer (CHRO) since 2019.
Born 1978.
Bachelor's degree in Human Resources and MBA.
Previous positions: Senior Vice President Human Resources ASSA ABLOY AB 2013–2019, Vice President Human Resources ASSA ABLOY Entrance Systems 2011–2013. HR manager and HR director ASSA ABLOY Entrance Systems 2008–2011. Previously HR positions in various companies: JELD-WEN Sverige AB, VALEO Engine Cooling AB and Swedish Meats 2003–2008.
Shareholdings: 11,618 Series B shares.

6 Massimo Grassi

Executive Vice President and Head of Entrance Systems division since 2021.
Born 1961.
Master of Engineering.
Previous positions: Divisional Managing Director, IMI Precision Engineering 2015–2020. Various positions within Stanley Black & Decker Group, including President Stanley Security Europe 2012–2015, Global President Industrial Automotive Repair 2010–2012 and President in Europe 2007–2010. Previously various positions in Pentair Inc., BWT AG and Pirelli.
Shareholdings: –



Appointments and shareholdings at 31 December 2021 unless stated otherwise.

7 Björn Lidefelt

Executive Vice President and Head of Global Technologies business unit HID Global since 2020.
Born 1981.
Master of Science in Industrial Engineering and Management.
Previous positions: Various positions in the ASSA ABLOY Group, including Chief Commercial Officer 2017–2020, and General Manager ASSA ABLOY China (security products) 2013–2016.
Shareholdings: 10,544 Series B shares.

8 Stephanie Ordan

Executive Vice President and Head of Global Technologies business unit Global Solutions since 2021.
Born 1976.
Master of Business Administration and Engineering Diploma.
Previous positions: Vice President Digital and Access Solutions, ASSA ABLOY EMEIA 2018–2021, Head of Energy Storage Business and Head of Marketing and Communication, Eaton 2014–2018. Strategic Marketing/New Products Development Director, General Electric 2013–2014. Previously, Application Engineer, Field Sales Engineer, Head of Strategy and Product Management, STMicroelectronics 1999–2013.
Shareholdings: 2,536 Series B shares.

9 Martin Poxton

Executive Vice President and Head of Asia Pacific business unit ASSA ABLOY Opening Solutions Greater China and South East Asia since 2021.
Born 1972.
HND in Mechanical and Manufacturing Engineering.
Previous positions: Vice President Operations ASSA ABLOY Opening Solutions Asia Pacific 2017–2020, Operations Director Adient China, 2013–2017, Business Unit General Manager and Launch Director Johnsons Controls China 2008–2012. Various positions in Faurecia China 2004–2008. Previously various positions in Keiper, Johnsons Controls and Flowform B'ham UK, 1992–2004.
Shareholdings: 1,142 Series B shares.

10 Neil Vann

Executive Vice President and Head of EMEIA division since 2018.
Born 1971.
Degree in Manufacturing Engineering.
Previous positions: Various positions in the ASSA ABLOY Group, including Market Region Manager ASSA ABLOY UK 2014–2018, Market Region Manager Italy and Greece 2012–2014 and Vice President Operations EMEIA 2011–2012. Previously various positions within ASSA ABLOY, Yale and Chubb 1987–2001.
Shareholdings: 20,335 Series B shares.

Changes in the Executive Team

Mogens Jensen, Executive Vice President and Head of the Residential business segment within Entrance Systems division, left the Executive Team on 30 June 2021 to enter retirement.

Massimo Grassi was appointed Executive Vice President and Head of Entrance Systems division on 13 September 2021. He succeeded Christopher Norby, who left ASSA ABLOY on 30 June 2021.

Stephanie Ordan was appointed Executive Vice President and Head of the Global Technologies business unit Global Solutions on 13 September 2021. She succeeded Christophe Sut, who left ASSA ABLOY on 30 September 2021.

On 27 October 2021, ASSA ABLOY announced that Maria Romberg Ewerth, Executive Vice President and Chief Human Resources Officer, had decided to leave ASSA ABLOY.

Appointments and shareholdings at 31 December 2021 unless stated otherwise.

7 **Organization**

CEO and Executive Team

The Executive Team consists of the CEO, the Heads of the Group's divisions, the Heads of the business units HID Global, Global Solutions, Opening Solutions Greater China and South East Asia and Opening Solutions Pacific and North East Asia, the Chief Financial Officer and the Chief Human Resources Officer. For a presentation of the CEO and the other members of the Executive Team, see pages 56–57.

8 *Divisions – decentralized organization*

ASSA ABLOY's operations are decentralized. Operations are organizationally divided into five divisions: EMEIA, Americas, Asia Pacific, Global Technologies and Entrance Systems. The fundamental principle is that the divisions should be responsible, as far as possible, for business operations, while various functions at ASSA ABLOY's Group Center are responsible for coordination, monitoring, policies and guidelines at an overall level. Decentralization is a deliberate strategic choice based on the industry's local nature and a conviction of the benefits of a divisional control model. The Group's structure results in a geographical and strategic spread of responsibility ensuring short decision-making paths.

ASSA ABLOY's operating structure is designed to create maximum transparency, to facilitate financial and operational monitoring, and to promote the flow of information and communication across the Group. The five divisions are divided into around 55 business units. These consist in turn of a large number of sales and production units, depending on the structure of the business unit concerned. Apart from monitoring by unit, monitoring of products and markets is also carried out.

Policies and guidelines

Significant policies and guidelines in the Group include financial control, communication issues, insider issues, information security and data protection, sustainability issues, business ethics and export control. ASSA ABLOY's financial policy and accounting manual provide the framework for financial control and monitoring. ASSA ABLOY's communication policy aims to ensure that information is provided at the right time and in compliance with applicable rules and regulations. ASSA ABLOY has adopted an insider policy to complement applicable insider legislation. This policy applies to individuals in managerial positions at ASSA ABLOY AB (including subsidiaries) as well as certain other categories of employees. Information security policies and guidelines are in place to protect business-critical information from unauthorized individuals and organizations.

ASSA ABLOY has adopted a Code of Conduct for employees and a separate ASSA ABLOY Code of Conduct for business partners. The Codes, which are based on a set of internationally accepted conventions, define the values and guidelines that should apply both within the Group and for ASSA ABLOY's business partners with regard to matters such as business ethics, human rights and working conditions, as well as the environment, health and safety.

Moreover, ASSA ABLOY has adopted policies and guidelines on compliance with competition, export control, anti-corruption and data protection legislation applicable to the Group.

9 **Auditor**

At the 2021 Annual General Meeting, Ernst & Young AB (EY) was re-elected as the external auditor until the end of the 2022 Annual General Meeting. Authorized public accountant Hamish Mabon is the auditor in charge. Hamish Mabon was born in 1965 and holds other significant audit assignments for Skanska AB, Essity AB and SEB. He has been a member of FAR, the institute for the accountancy profession in Sweden, since 1992 and is a FAR Certified Financial Institution Auditor. He holds no shares in ASSA ABLOY AB.

EY submits the audit report for ASSA ABLOY AB, the Group and a large majority of the subsidiaries worldwide. The audit of ASSA ABLOY AB also includes the administration by the Board of Directors and the CEO. The auditor in charge attends the Audit Committee meetings as well as the February board meeting, at which he reports his observations and recommendations concerning the Group audit for the year.

The external audit is conducted in accordance with International Standards in Auditing (ISA), and generally accepted auditing standards in Sweden. The audit of the financial statements for legal entities outside Sweden is conducted in accordance with statutory requirements and other applicable rules in each country. For information about the fees paid to auditors and other assignments carried out in the Group in the past three financial years, see Note 3 and the Annual Report for 2020, Note 3.

Internal control – financial reporting

ASSA ABLOY's internal control process for financial reporting is designed to provide reasonable assurance of reliable financial reporting, which is in compliance with generally accepted accounting principles, applicable laws and regulations, and other requirements for listed companies.

Control environment

The Board of Directors is responsible for effective internal control and has therefore established fundamental documents of significance for financial reporting. These documents include the Board of Directors' rules of procedure and instructions to the CEO, the Code of Conduct, financial policy, an annual financial evaluation plan etc. Regular meetings are held with the Audit Committee. The Group has an internal audit function whose primary objective is to ensure reliable financial reporting and good internal control.

All units in the Group apply uniform accounting and reporting instructions. Internal control guidelines have been established and are reviewed annually through a self-assessment regarding internal controls. These Group-wide guidelines have a relatively broad scope and concern business-critical processes.

A major focus has been on auditing the reconciliation between various accounts and consolidated reporting in recent years. The entire Group uses a financial reporting system with pre-defined report templates.

Risk assessment

Risk assessment is built in to the processes in question and a variety of methods are used to assess and limit risk, as well as to ensure that risks are managed in compliance with established policies and guidelines. A number of previously established documents govern the procedures to be used for accounting, finalizing accounts, financial reporting and review. Risk assessment includes identifying and evaluating the risk of material errors in accounting and financial reporting at Group, division and local levels. The specific material risks that ASSA ABLOY has identified associated with financial reporting are errors in business-critical processes such as sales, purchases, financial statements, inventories, facilities management, taxes, legal issues, occupational injuries and the risk of fraud, loss or embezzlement of assets.

Control activities

The Group's controller and accounting organization at both central and division levels plays a significant role in ensuring reliable financial information. It is responsible for complete, accurate and timely financial reporting.

A global financial internal audit function has been established and carries out annual financial evaluations in accordance with the plan annually adopted by the Audit Committee. The results of the financial evaluations are submitted to the Audit Committee and the auditors.

Each division has employed full-time internal auditors who audit the companies and monitor internal control.

Information and communication

Reporting and accounting manuals as well as other financial reporting guidelines are available to all employees concerned on the Group's intranet. A regular review and analysis of financial outcomes is carried out at both business unit and division levels and as part of the established operating Board structure. The Group also has established procedures for external communication of financial information, in accordance with the rules and regulations for listed companies.

Review process

The Board of Directors and the Audit Committee evaluate and review the Annual Report and Interim Reports prior to publication. The Audit Committee monitors the financial reporting and other related issues, and regularly discusses these issues with the external auditors. All business units report their financial results monthly in accordance with the Group's accounting principles. This reporting serves as the basis for quarterly reports and a monthly legal and operating review. Operating reviews conform to a structure in which sales, earnings, cash flow, capital employed and other important key figures and trends for the Group are compiled, and form the basis for analysis and actions by management and controllers at different levels.

Financial reviews take place quarterly at divisional board meetings, monthly in the form of performance reviews and through more informal analysis. Other important Group-wide components of internal control are the annual business planning process and regular forecasts.

The Group-wide internal control guidelines are reviewed during the year through self-assessment regarding internal control and continuous follow-up of internal audit reports.

The Board of Directors' proposal of guidelines for remuneration to senior executives

Scope

The Board of Directors proposes that the Annual General Meeting adopts the following guidelines for the remuneration and other employment conditions of the President and CEO and other members of the ASSA ABLOY Executive Team (the "Executive Team").

These guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the 2022 Annual General Meeting. These guidelines do not apply to any remuneration decided or approved by the General Meeting.

Employment conditions of a member of the Executive Team that is employed or resident outside Sweden or that is not a Swedish citizen, may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Promotion of ASSA ABLOY's business strategy, long-term interests and sustainability

One of the strategies for value creation followed by ASSA ABLOY is Evolution through people. With the objective that ASSA ABLOY shall continue to be able to recruit and retain competent employees, the basic principle being that remuneration and other employment conditions shall be offered on market conditions and be competitive, taking into account both global remuneration practice and practice in the home country of each member of the Executive Team. These guidelines enable ASSA ABLOY to offer the Executive Team a total remuneration that is on market conditions and competitive. Prerequisites are thereby established for successful implementation of the Group's business strategy, which on overall level is to lead the trend towards the world's most innovative and well-designed access solutions, as well as safeguarding ASSA ABLOY's long-term interests, including its sustainability. More information about ASSA ABLOY's business strategy and ASSA ABLOY's sustainability report is available on ASSA ABLOY's website assaabloy.com.

ASSA ABLOY has on-going share-based long-term incentive programs in place that have been resolved by the General Meeting and which are therefore excluded from these guidelines. Future share-based long-term incentive programs proposed by the Board of Directors and submitted to the General Meeting for approval will be excluded for the same reason. The purpose of the share-based long-term incentive program is to strengthen ASSA ABLOY's ability to recruit and retain competent employees, to contribute to ASSA ABLOY providing a total remuneration that is on market conditions and competitive, and to align the interests of the shareholders with the interests of the employees concerned. Through a share-based long-term incentive program, the employees' remuneration is tied to ASSA ABLOY's future earnings and value growth. At present the performance criteria used is linked to earnings per share. The programs are further conditional upon the participant's own investment and holding period of several years. More information about these programs is available on ASSA ABLOY's website assaabloy.com.

Types of remuneration

The total yearly remuneration to the members of the Executive Team shall be on market conditions and be competitive and also reflect each member of the Executive Team's responsibility and performance. The total yearly remuneration shall consist of fixed base salary, variable cash remuneration, pension benefits and other benefits (which are specified below excluding social security costs). Additionally, the General Meeting may – and irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

The variable cash remuneration shall be linked to predetermined and measurable targets, which are further described below, and may amount to not more than 75 percent of the yearly base salary. In order to ensure that the remuneration levels are in line with market conditions and competitive, taking into account the current market conditions in the US, the variable cash remuneration for members of the Executive Team employed in the US may amount to not more than 100 percent of the yearly base salary.

Additional variable cash remuneration may be paid in specific cases in the form of remuneration with lump sums, provided that such remuneration is only provided at an individual basis for the purpose of recruiting senior executives. Such remuneration may not exceed an amount corresponding to 100 percent of the yearly base salary and the maximum variable cash remuneration, and may not be paid more than once per year and individual.

The members of the Executive Team shall be covered by defined contribution pension plans, for which pension premiums are based on each member's yearly base salary and is paid by ASSA ABLOY during the period of employment. The pension premiums shall amount to not more than 35 percent of the yearly base salary.

Other benefits, such as company car, life insurance, extra health insurance or occupational healthcare, should be payable to the extent this is considered to be in line with market conditions in the market concerned for each member of the Executive Team. Premiums and other costs relating to such benefits may totally amount to not more than 10 percent of the yearly base salary. Furthermore, housing allowance benefit may be added in line with ASSA ABLOY's policies and costs relating to such benefit may totally amount to not more than 25 percent of the yearly base salary. Premiums and other costs relating to other benefits and housing allowance benefit may, however, totally amount to not more than 30 percent of the yearly base salary.

Criteria for awarding variable cash remuneration

The variable cash remuneration shall be linked to predetermined and measurable financial targets, such as earnings per share (EPS), earnings before interest and taxes (EBIT), cash flow and organic growth and can also be linked to strategical and/or functional targets individually adjusted on the basis of responsibility and function. These targets shall be designed so as to contribute to ASSA ABLOY's business strategy and long-term interests, including its sustainability, by for example being linked to the business strategy or promote the senior executive's long-term development within ASSA ABLOY.

The Remuneration Committee shall for the Board of Directors prepare, monitor and evaluate matters regarding variable cash remuneration to the Executive Team. Ahead of each yearly measurement period for the criteria for awarding variable cash remuneration the Board of Directors shall, based on the work of the Remuneration Committee, establish which criteria that are deemed to be relevant for the upcoming measurement period. To which extent the criteria for awarding variable cash remuneration has been satisfied shall be determined when the measurement period has ended. Evaluations regarding fulfilment of financial targets shall be based on determined financial basis for the relevant period.

Variable cash remuneration can be paid after the measurement period has ended or be subject to deferred payment. Paid variable cash remuneration can be claimed back when such right follows from general principles of law.

Duration of employment and termination of employment

The members of the Executive Team shall be employed until further notice. If notice of termination is made by ASSA ABLOY, the notice period may not exceed 12 months for the CEO and 6 months for the other members of the Executive Team. If the CEO is given notice, ASSA ABLOY is liable to pay, including severance pay and remuneration under the notice period, the equivalent of maximum 24 months' base salary and other employment benefits. If any other member of the Executive Team is given notice, ASSA ABLOY is liable to pay a maximum of 6 months' base salary and other employment benefits plus severance pay amounting to a maximum of an additional 12 months' base salary. If notice of termination is made by a member of the Executive Team, the notice period may not exceed 6 months, with no right to severance pay.

A member of the Executive Team may, for such time when the member is not entitled to severance pay, be compensated for non-compete undertakings. Such compensation shall amount to not more than 60 percent of the monthly base salary at the time of the termination and shall only be paid as long as the non-compete undertaking is applicable, at longest a period of 12 months.

Remuneration and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, remuneration and employment conditions for employees of ASSA ABLOY have been taken into account by including information on the employees' total remuneration, the components of the remuneration and increase and growth rate over time in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines

The Remuneration Committee's tasks include preparing the Board of Directors' decision to propose guidelines for remuneration to the Executive Team. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the Annual General Meeting. The guidelines shall be in force until new guidelines are adopted by the General Meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration to the Executive Team, the application of the guidelines for remuneration to the Executive Team as well as the applicable remuneration structures and remuneration levels in ASSA ABLOY. The members of the Remuneration Committee are independent of the company and its management. The CEO and other members of the Executive Team do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Deviation from the guidelines

The Board of Directors may temporarily resolve to deviate from the guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve ASSA ABLOY's long-term interests, including its sustainability, or to ensure ASSA ABLOY's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to deviate from the guidelines.

Description of material changes of the guidelines and how the views of shareholders' have been taken into consideration

These guidelines, which are proposed for the 2022 Annual General Meeting, correspond to a large extent with the guidelines resolved upon by the 2020 Annual General Meeting. However, in the guidelines now proposed, an option to pay additional variable cash remuneration has been introduced and, in addition, the maximum level for variable cash remuneration for members of the Executive Team employed in the US has been adjusted. Please be referred to the section "Types of remuneration" above.

No comments or questions on the remuneration guidelines have emerged in connection with general meeting proceedings.

Sales and income

- **Net sales increased by 8 percent to SEK 95,007 M (87,649). Organic growth was 11 percent (–8), while net growth from acquisitions and divestments amounted to 2 percent (4).**
- **Operating income (EBIT) excluding items affecting comparability increased by 19 percent to SEK 14,181 M (11,916), equivalent to an operating margin of 14.9 percent (13.6).**
- **Earnings per share after full dilution and excluding items affecting comparability increased by 30 percent to SEK 9.81 (7.54).**

Sales

The Group's sales for 2021 amounted to SEK 95,007 M (87,649), corresponding to a change in sales of 8 percent (–7). Organic growth was 11 percent (–8), while the net contribution from acquisitions and divestments was 2 percent (4). The exchange rate impact on sales was –5 percent (–3).

Change in sales

%	2020	2021
Organic growth	–8	11
Acquisitions and divestments	4	2
Exchange rate effects	–3	–5
Total	**–7**	**8**

Sales by product group

Mechanical locks, lock systems and fittings accounted for 23 percent (24) of total sales. Electromechanical and electronic locks accounted for 30 percent (31) of sales, while entrance automation increased to 31 percent (29). Security doors and hardware accounted for 16 percent (16) of sales.

Cost structure

The Group's total wage costs, including social security expenses and pension expenses, amounted to SEK 27,921 M (27,170), equivalent to 29 percent (31) of sales. The average number of employees was 50,934 (48,471).

Material costs amounted to SEK 33,873 M (30,830), equivalent to 36 percent (35) of sales and other purchasing costs totaled SEK 14,833 M (15,087), equivalent to 16 percent (17) of sales.

Depreciation and amortization of non-current assets amounted to SEK 3,841 M (3,776), equivalent to 4 percent (4) of sales.

Operating income

Consolidated operating income (EBIT) for 2021 amounted to SEK 14,181 M (12,458). Operating income excluding items affecting comparability increased by 19 percent to SEK 14,181 M (11,916), equivalent to an operating margin of 14.9 percent (13.6). The improvement in income was primarily attributable to improvement in global demand and continued efficiency enhancements and cost savings. High price rises for raw materials of importance to the Group, combined with a scarcity of certain material components in the latter part of the year, had a negative impact on operating income.

Items affecting comparability

No items affecting comparability were recognized for 2021, while there were two items affecting comparability for 2020. The Group launched a new restructuring program in 2020 with a total estimated cost before taxes of SEK 1,366 M, which was expensed in its entirety in 2020. In conjunction with the acquisition of agta record in 2020, the previous shareholding in the associate company was also remeasured at market value through profit or loss. The operating income, which did not affect cash flow, amounted to SEK 1,909 M, with no effect on taxes.

Income before tax

Consolidated income before tax was SEK 13,538 M (11,676). The exchange rate effect before taxes amounted to SEK –539 M (–510). Net financial items totaled SEK –643 M (–782), mainly because of lower net interest as a result of lower net debt compared with the previous year. The profit margin was 14.2 percent (13.3).

The Parent company's operating income for 2021 totaled SEK 1,053 M (868), mainly because of higher intra-Group operating income compared with the previous year.

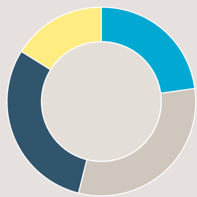
Tax on income

The Group's tax expense totaled SEK 2,638 M (2,504), equivalent to an effective tax rate excluding items affecting comparability of 19.5 percent (24.8). The reduced tax rate was due to a positive one-time effect from an intra-Group transfer of trademark. The effective income tax rate 2021 excluding the one-time tax effect was 24.4 percent. The reported effective tax rate overall amounted to 19.5 percent (21.4).

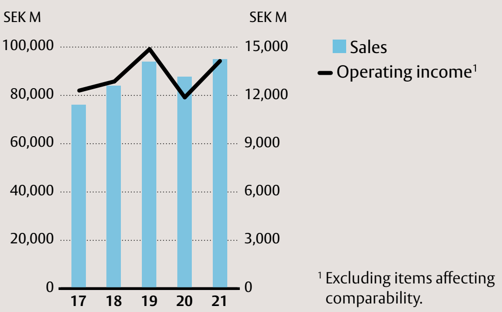
Earnings per share

Consolidated earnings per share before and after full dilution and excluding items affecting comparability amounted to SEK 9.81 (7.54), an increase of 30 percent.

Sales by product group, 2021

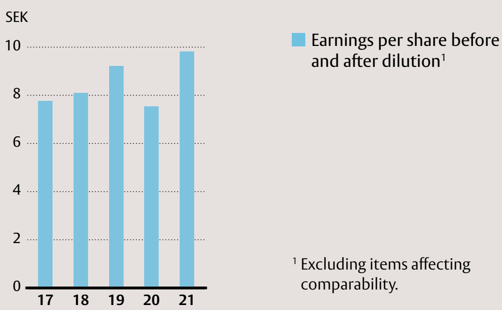


Sales and operating income



[1] Excluding items affecting comparability.

Earnings per share before and after dilution



[1] Excluding items affecting comparability.

Consolidated income statement

SEK M	Note	2020	2021
Sales	2	87,649	95,007
Cost of goods sold		–53,336	–57,231
Gross income		**34,313**	**37,777**
Selling expenses		–14,743	–14,374
Administrative expenses	3	–4,882	–4,928
Research and development costs		–3,902	–3,936
Other operating income and expenses	4	1,415	–377
Share of earnings in associates	5	257	19
Operating income	7–9, 25, 34	**12,458**	**14,181**
Financial income	10	10	6
Financial expenses	9, 11, 25	–792	–649
Income before tax		**11,676**	**13,538**
Tax on income	12	–2,504	–2,638
Net income		**9,172**	**10,901**
Net income attributable to:			
Parent company's shareholders		9,171	10,900
Non-controlling interests		1	1
Earnings per share			
Before and after dilution, SEK	13	8.26	9.81
Before and after dilution and excluding items affecting comparability, SEK	13	7.54	9.81

Consolidated statement of comprehensive income

SEK M	Note	2020	2021
Net income		**9,172**	**10,901**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Actuarial gain/loss on post-employment benefit obligation	25	–319	917
Deferred tax from actuarial gain/loss on post-employment benefit obligations		56	–211
Total		**–262**	**705**
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive income of associates		–70	–6
Cash flow hedges		0	5
Net investment hedges		–3	–
Exchange rate differences reclassified to profit or loss		–318	–
Exchange rate differences		–4,560	3,468
Tax attributable to items that may be reclassified subsequently to profit or loss		16	–23
Total		**–4,935**	**3,444**
Total comprehensive income		**3,975**	**15,050**
Total comprehensive income attributable to:			
Parent company's shareholders		3,975	15,049
Non-controlling interests		0	1

Comments by division

ASSA ABLOY is organized into five divisions. EMEIA (Europe, Middle East, India and Africa), Americas (North and South America) and Asia Pacific (Asia and Oceania) manufacture and sell mechanical and electromechanical locks, security doors and hardware in their respective geographic markets. Global Technologies operates worldwide in the product areas of access control systems, secure card issuance, identification technology and hotel locks. Entrance Systems is a global supplier of entrance automation products and service.

Opening Solutions EMEIA

Sales totaled SEK 20,522 M (18,982), with organic growth of 13 percent (–8). Net growth from acquisitions, divestments and internal segment transfers was –2 percent (–1). Operating income excluding items affecting comparability amounted to SEK 2,916 M (2,263), with an operating margin (EBIT) of 14.2 percent (11.9). Return on capital employed was 16.2 percent (11.9). Operating cash flow before non-cash items and interest paid was SEK 3,089 M (2,939).

Demand recovered strongly for most market regions in EMEIA compared with the previous year, despite the continued impact of the Covid-19 pandemic. Growth remained high in the private residential market, combined with gradual recovery in commercial and institutional segments. Business operations in India were transferred to EMEIA from Asia Pacific at the start of the year. Certego, a locksmith chain in the Nordics, was divested during the year.

Opening Solutions Americas

Sales totaled SEK 20,507 M (19,013), with organic growth of 14 percent (–7). Net growth from acquisitions, divestments and internal segment transfers was 1 percent (–9). Operating income excluding items affecting comparability amounted to SEK 4,200 M (3,698), with an operating margin (EBIT) of 20.5 percent (19.4). Return on capital employed was 30.0 percent (24.4). Operating cash flow before non-cash items and interest paid was SEK 3,722 M (4,837).

There was very strong growth, and sales reached a higher level than before the pandemic. Growth in North America was very strong in the private residential market, while there was gradual recovery in commercial customer segments. Demand in Latin America continued to develop very well. The division maintained a good level of profitability. A contract was signed during the year to acquire HHI, a leading supplier to the North American residential market.

Opening Solutions Asia Pacific

Sales totaled SEK 8,719 M (8,841), with organic growth of 2 percent (–16). Net growth from acquisitions, divestments and internal segment transfers was –2 percent (1). Operating income excluding items affecting comparability amounted to SEK 499 M (396), with an operating margin (EBIT) of 5.7 percent (4.5). Return on capital employed was 5.9 percent (4.4). Operating cash flow before non-cash items and interest paid was SEK 285 M (762).

Continued restrictions on account of the pandemic led to gradually weaker demand for Asia Pacific during the year, primarily in China and South east Asia. Pacific and South Korea reported growth. A new organization was introduced at the start of the year to achieve long-term growth and improved profitability. The division reported positive organic growth despite challenging market conditions, and the operating margin improved following continued efficiency enhancements and staff reductions.

Global Technologies

Sales totaled SEK 14,604 M (14,158), with organic growth of 5 percent (–15). Net growth from acquisitions, divestments and internal segment transfers was 3 percent (10). Operating income excluding items affecting comparability amounted to SEK 2,253 M (2,023), with an operating margin (EBIT) of 15.4 percent (14.3). Return on capital employed was 10.4 percent (8.9). Operating cash flow before non-cash items and interest paid was SEK 3,179 M (2,509).

The division continued to be negatively affected by both the pandemic and the scarcity of certain components in most business units. Continued investments in R&D and several acquisitions strengthened the market position in various areas. Efficiency enhancements and cost savings boosted the operating margin, and cash flow was maintained at a high level.

Entrance Systems

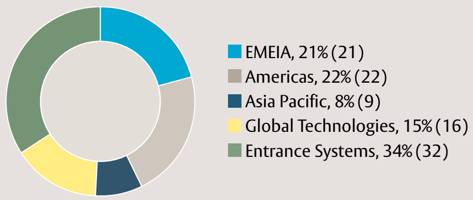
Sales totaled SEK 32,690 M (28,323), with organic growth of 14 percent (–2). Net growth from acquisitions, divestments and internal segment transfers was 7 percent (15). Operating income excluding items affecting comparability amounted to SEK 4,988 M (4,083), with an operating margin (EBIT) of 15.3 percent (14.4). Return on capital employed was 15.8 percent (13.9). Operating cash flow before non-cash items and interest paid was SEK 3,971 M (4,974).

Demand was strong in all business segments. Perimeter Security and Residential performed particularly well. The integration of the previous year's acquisition, agta record, developed well. The expansion of the service organization continued to proceed as planned. The division's operating margin improved further on the previous year.

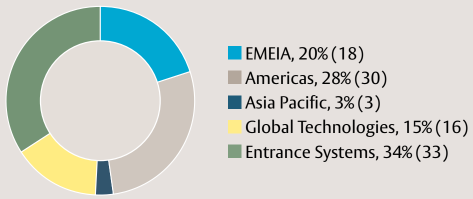
Other

The costs of Group-wide functions, such as the Executive Team, accounting and finance, supply management and Group-wide product development, totaled SEK 675 M (547). Elimination of sales between the Group's segments is included in "Other".

External sales, 2021



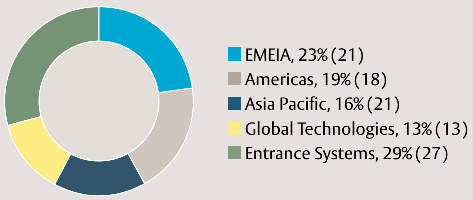
Operating income, 2021[1,2]



[1] "Other" is not included in the calculation. See section Comments by division for what is included in "Other".

[2] Excluding items affecting comparability.

Average number of employees, 2021



Reporting by division

	EMEIA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
SEK M	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**
Sales, external	18,563	20,040	18,907	20,356	7,916	7,549	14,054	14,495	28,210	32,568	–	–	87,649	95,007
Sales, internal	418	483	107	151	926	1,170	105	109	113	123	–1,668[1]	–2,036[1]	–	–
Sales	**18,982**	**20,522**	**19,013**	**20,507**	**8,841**	**8,719**	**14,158**	**14,604**	**28,323**	**32,690**	**–1,668**	**–2,036**	**87,649**	**95,007**
Organic growth	–8%	13%	–7%	14%	–16%	2%	–15%	5%	–2%	14%	–	–	–8%	11%
Acquisitions and divestments	–1%	–2%	–9%	1%	1%	–2%	10%	3%	15%	7%	–	–	4%	2%
Exchange rate effects	–1%	–3%	–2%	–7%	–2%	–1%	–3%	–5%	–2%	–6%	–	–	–3%	–5%
Share of earnings in associates	–	–	–	–	9	18	9	1	239	–1	–	–	257	19
Operating income, excluding items affecting comparability	**2,263**	**2,916**	**3,698**	**4,200**	**396**	**499**	**2,023**	**2,253**	**4,083**	**4,988**	**–547**	**–675**	**11,916**	**14,162**
Operating margin, excluding items affecting comparability	11.9%	14.2%	19.4%	20.5%	4.5%	5.7%	14.3%	15.4%	14.4%	15.3%	–	–	13.6%	14.9%
Restructuring costs	–448	–	–51	–	–303	–	–195	–	–220	–	–150	–	–1,366	–
Revaluation of associate shareholding	–	–	–	–	–	–	–	–	1,909	–	–	–	1,909	–
Operating income (EBIT)	**1,815**	**2,916**	**3,647**	**4,200**	**93**	**499**	**1,828**	**2,253**	**5,772**	**4,988**	**–697**	**–675**	**12,458**	**14,181**
Operating margin (EBIT)	9.6%	14.2%	19.2%	20.5%	1.1%	5.7%	12.9%	15.4%	20.4%	15.3%	–	–	14.2%	14.9%
Net financial items													–782	–643
Tax on income													–2,504	–2,638
Net income													**9,172**	**10,901**
Operating income (EBIT)	1,815	2,916	3,647	4,200	93	499	1,828	2,253	5,772	4,988	–697	–675	12,458	14,181
Reversal, items affecting comparability	448	–	51	–	303	–	195	–	–1,689	–	150	–	–542	–
Depreciation and amortization	925	969	471	493	355	306	917	923	1,078	1,114	30	37	3,776	3,841
Net capital expenditure	–407	–475	–267	–351	–192	–182	–430	–250	–330	–361	–47	–10	–1,674	–1,629
Amortization of lease liabilities	–318	–306	–132	–148	–108	–92	–144	–144	–559	–537	–14	–15	–1,275	–1,242
Change in working capital	476	–14	1,067	–471	311	–247	144	397	702	–1,233	–94	73	2,606	–1,496
Operating cash flow by division	**2,939**	**3,089**	**4,837**	**3,722**	**762**	**285**	**2,509**	**3,179**	**4,974**	**3,971**	**–673**	**–591**	**15,349**	**13,656**
Non-cash items											–95	178	–95	178
Interest paid and received											–694	–569	–694	–569
Operating cash flow													**14,560**	**13,265**
Capital employed	**16,849**	**17,063**	**13,201**	**15,908**	**8,191**	**8,653**	**21,044**	**22,326**	**30,231**	**32,787**	**–883**	**–74**	**88,634**	**96,663**
– of which goodwill	10,475	10,949	10,444	11,700	3,884	4,028	14,881	16,164	18,660	19,662	–	–	58,344	62,502
– of which other intangible assets/property, plant and equipment	3,485	3,516	2,713	2,977	2,375	2,483	5,100	5,059	8,362	8,461	99	90	22,134	22,587
– of which right-of-use assets	998	937	387	430	264	243	457	512	1,390	1,270	17	44	3,513	3,436
– of which investments in associates	1	1	–	–	589	602	28	32	20	17	–	–	637	652
Return on capital employed	11.9%	16.2%	24.4%	30.0%	4.4%	5.9%	8.9%	10.4%	13.9%	15.8%	–	–	12.5%	15.2%
Average number of employees	10,281	11,848	8,787	9,298	9,892	8,259	6,374	6,556	12,883	14,604	254	369	48,471	50,934

[1] Of which eliminations SEK –2,036 M (–1,668).

The segments have been determined on the basis of reporting to the President and CEO, who monitors the overall performance and makes decisions on resource allocation.

The different segments generate their revenue from the manufacture and the sale of mechanical, electromechanical and electronic locks, lock systems and fittings, and security doors and hardware.

The breakdown of sales is based on customer sales in the respective country. Sales between segments are carried out at arm's length.

For further information on sales, see Note 2.

Financial position

- **Capital employed amounted to SEK 96,663 M (88,634).**
- **Return on capital employed was 15.2 percent (12.5).**
- **The net debt/EBITDA ratio was 1.5 (1.9).**

SEK M	2020	2021
Capital employed	88,634	96,663
– of which goodwill	58,344	62,502
Net debt	29,755	27,071
Equity	58,879	69,582
– of which non-controlling interests	9	9

Capital employed

Capital employed in the Group, defined as total assets less interest-bearing assets and non-interest-bearing liabilities including deferred tax liabilities, amounted to SEK 96,663 M (88,634). Return on capital employed was 15.2 percent (12.5).

Intangible assets amounted to SEK 76,336 M (72,452). The increase is mainly due to currency effects and completed acquisitions. During the year, goodwill and other intangible assets with an indefinite useful life arose to a preliminary value of SEK 1,276 M (8,325) as a result of completed acquisitions and adjustments of acquisitions made in previous years. A valuation model, based on discounted future cash flows, is used for impairment testing of goodwill and other intangible assets with an indefinite useful life.

Property, plant and equipment amounted to SEK 8,753 M (8,026). Capital expenditure on property, plant and equipment and intangible assets, less sales of property, plant and equipment and intangible assets, totaled SEK 1,629 M (1,674). Total depreciation, amortization and impairment amounted to SEK 3,841 M (3,776).

Trade receivables amounted to SEK 15,844 M (13,665) and inventories totaled SEK 13,933 M (10,079) on the reporting date. The average collection period for trade receivables was 51 days (55). Material throughput time averaged 99 days (97). The Group is making systematic efforts to increase capital efficiency.

Net debt

Net debt amounted to SEK 27,071 M (29,755), of which pension commitments and other post-employment benefits accounted for SEK 2,736 M (3,514).

Net debt decreased during the year because of the strong operating cash flow in combination with exchange rate effects.

External financing

The Group's long-term loan financing mainly consists of a GMTN Program of SEK 15,793 M (16,189), of which SEK 14,862 M (15,047) is long-term, a Private Placement Program in the US totaling USD 225 M, of which USD 75 M (225) is long-term, and loans from financial institutions such as the European Investment Bank (EIB) of EUR 0 M (18) and USD 349 M (366) and the Nordic Investment Bank of EUR 135 M (190). During the year there were no new issues under the GMTN Program and no new long-term loans were raised. Other changes in long-term loans are mainly due to some of the originally long-term loans now having less than 1 year to maturity. The size of the loans was also affected by currency fluctuations, especially regarding the USD.

The Group's short-term loan financing mainly consists of two Commercial Paper Programs for a maximum USD 1,000 M (1,000) and SEK 5,000 M (5,000) respectively. At year-end, however, the outstanding balance under the Commercial Paper programs was SEK 0 M (0). In addition, substantial credit facilities are available, mainly in the form of a Multi-Currency Revolving Credit Facility of EUR 1,200 M (1,200).

Fixed interest terms decreased somewhat during the year, with an average term of 29 months (32) at year-end.

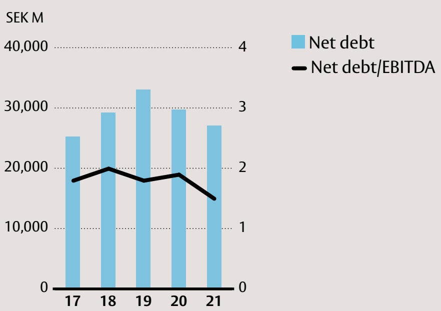
Cash and cash equivalents amounted to SEK 4,325 M (2,756) and are invested in banks with high credit ratings.

Some of the Group's main financing agreements contain a customary Change of Control clause. This clause means that lenders have the right in certain circumstances to demand the renegotiation of conditions or to terminate the agreements should control of the company change.

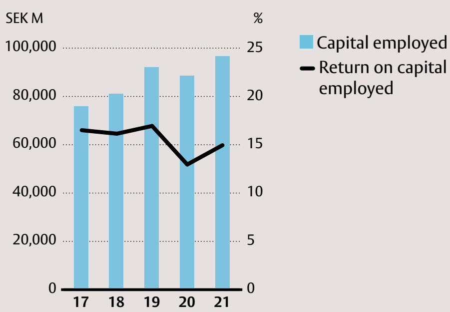
Equity

Consolidated equity totaled SEK 69,592 M (58,879) at year-end. Return on equity was 17.0 percent (15.5) and the debt/equity ratio, calculated as net debt divided by equity, was 0.39 (0.51). The equity ratio was 53.5 percent (50.1) at year-end.

Net debt



Capital employed and return on capital employed



Consolidated balance sheet

SEK M	Note	2020	2021
ASSETS			
Non-current assets			
Intangible assets	14	72,452	76,336
Property, plant and equipment	15	8,026	8,753
Right-of-use assets	16	3,513	3,436
Investments in associates	18	637	652
Other financial assets	20	212	267
Deferred tax assets	19	1,338	1,264
Total non-current assets		**86,178**	**90,707**
Current assets			
Inventories	21	10,079	13,933
Trade receivables	22	13,665	15,844
Current tax receivables		1,060	1,231
Other current receivables		1,542	1,720
Prepaid expenses and accrued income	2	1,675	1,945
Derivative financial instruments	35	426	262
Short-term investments	35	46	8
Cash and cash equivalents	35	2,756	4,325
Total current assets		**31,250**	**39,267**
TOTAL ASSETS		**117,428**	**129,975**
EQUITY AND LIABILITIES			
Equity			
Parent company's shareholders			
Share capital	24	371	371
Other contributed capital		9,675	9,675
Reserves	32	1,794	5,237
Retained earnings including net income for the year		47,030	54,299
Equity attributable to the Parent company's shareholders		**58,870**	**69,582**
Non-controlling interests		9	9
Total equity		**58,879**	**69,592**
Non-current liabilities			
Long-term loans	35	22,381	20,195
Non-current lease liabilities	35	2,477	2,433
Deferred tax liabilities	19	2,868	2,581
Pension provisions	25	3,514	2,736
Other non-current provisions	26	616	460
Other non-current liabilities	2	828	703
Total non-current liabilities		**32,683**	**29,108**
Current liabilities			
Short-term loans	35	3,514	5,042
Current lease liabilities	35	1,085	1,082
Derivative financial instruments	35	172	347
Trade payables		7,027	9,527
Current tax liabilities		1,341	1,598
Current provisions	26	1,159	794
Other current liabilities	2, 27	3,880	3,840
Accrued expenses and deferred income	2, 28	7,687	9,045
Total current liabilities		**25,865**	**31,276**
TOTAL EQUITY AND LIABILITIES		**117,428**	**129,975**

Cash flow

- **Operating cash flow remained strong and amounted to SEK 13,265 M (14,560).**
- **Cash flow from acquisitions and divestments of subsidiaries totaled SEK –1,422 M (–5,068).**

Operating cash flow

SEK M	2020	2021
Operating income (EBIT)	12,458	14,181
Restructuring costs	1,366	–
Revaluation of previously owned shares in associates	–1,909	–
Depreciation and amortization	3,776	3,841
Net capital expenditure	–1,674	–1,629
Change in working capital	2,606	–1,496
Amortization of lease liabilities	–1,275	–1,242
Interest paid and received	–694	–569
Non-cash items	–95	178
Operating cash flow	**14,560**	**13,265**
Cash conversion	1.31	0.98

The Group's operating cash flow amounted to SEK 13,265 M (14,560), equivalent to 98 percent (131) of income before tax excluding items affecting comparability.

Net capital expenditure

Net capital expenditure on intangible assets and property, plant and equipment totaled SEK 1,629 M (1,674), equivalent to 63 percent (68) of depreciation and amortization on intangible assets and property, plant and equipment.

Change in working capital

SEK M	2020	2021
Inventories	687	–2,943
Trade receivables	1,331	–1,289
Trade payables	–370	1,959
Other working capital	958	778
Change in working capital	**2,606**	**–1,496**

Material throughput time averaged 99 days (97). Capital tied up in working capital increased during the year, which had an impact on cash flow of SEK –1,496 M (2,606) overall.

Relationship between cash flow from operating activities and operating cash flow

SEK M	2020	2021
Cash flow from operating activities	13,658	12,456
Restructuring payments	747	563
Net capital expenditure	–1,674	–1,629
Amortization of lease liabilities	–1,275	–1,242
Reversal of tax paid	3,104	3,117
Operating cash flow	**14,560**	**13,265**

Investments in subsidiaries

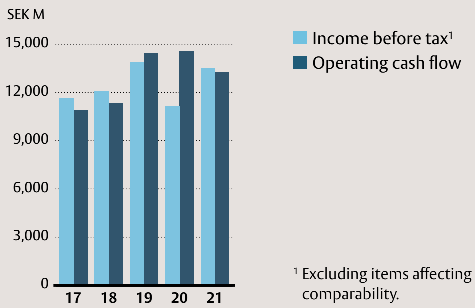
Cash flow from investments in subsidiaries totaled SEK 2,121 M (–6,238), while divestments of subsidiaries generated a positive cash flow of SEK 699 M (1,170). The cash flow effect from acquisitions and divestments was therefore SEK –1,422 M (–5,068). Acquired cash and cash equivalents totaled SEK 180 M (2,239).

Change in net debt

Net debt was mainly affected by the strong positive operating cash flow, the dividend to shareholders, acquisitions and exchange rate differences.

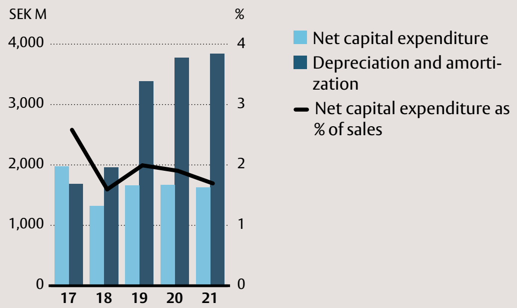
SEK M	2020	2021
Net debt at 1 January	33,050	29,755
Operating cash flow	–14,560	–13,265
Restructuring payments	747	563
Tax paid on income	3,104	3,117
Acquisitions and divestments	5,504	1,201
Dividend	4,277	4,333
Actuarial gain/loss on post-employment benefit obl.	319	–917
Change in lease liabilities	–106	–86
Exchange rate differences, etc.	–2,580	2,370
Net debt at 31 December	**29,755**	**27,071**

Income before tax and operating cash flow



[1] Excluding items affecting comparability.

Capital expenditure



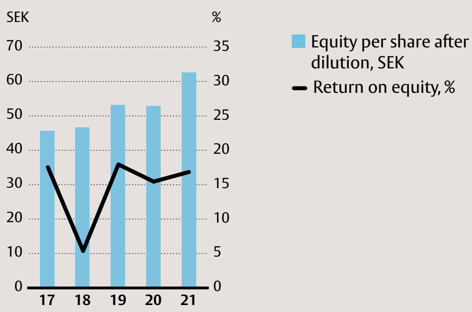
Consolidated statement of cash flows

SEK M	Note	2020	2021
OPERATING ACTIVITIES			
Operating income		12,458	14,181
Depreciation and amortization	8	3,776	3,841
Revaluation of previously owned shares in associates		–1,909	–
Restructuring costs		1,366	–
Other non-cash items	31	–95	178
Restructuring payments		–747	–563
Cash flow before interest and tax		**14,850**	**17,638**
Interest paid		–699	–564
Interest received		5	–5
Tax paid on income		–3,104	–3,117
Cash flow before changes in working capital		**11,052**	**13,952**
Change in working capital	31	2,606	–1,496
Cash flow from operating activities		**13,658**	**12,456**
INVESTING ACTIVITIES			
Investments in property, plant and equipment and intangible assets	14, 15	–1,806	–1,713
Sales of property, plant and equipment and intangible assets	14, 15	133	84
Investments in subsidiaries	33	–6,238	–2,121
Divestments of subsidiaries	31	1,170	699
Other investments and divestments		0	–43
Cash flow from investing activities		**–6,741**	**–3,094**
FINANCING ACTIVITES			
Dividend		–4,277	–4,333
Long-term loans raised	35	5,806	8
Long-term loans repaid	35	–3,252	–2,473
Amortization of lease liabilities		–1,275	–1,242
Purchase of shares in subsidiaries from non-controlling interest		–16	–
Stock purchase plans		–22	–54
Change in short-term loans, etc.		–1,522	282
Cash flow from financing activities		**–4,558**	**–7,813**
CASH FLOW		**2,359**	**1,549**
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		442	2,756
Cash flow		2,359	1,549
Effect of exchange rate differences in cash and cash equivalents		–45	20
Cash and cash equivalents at 31 December	35	**2,756**	**4,325**

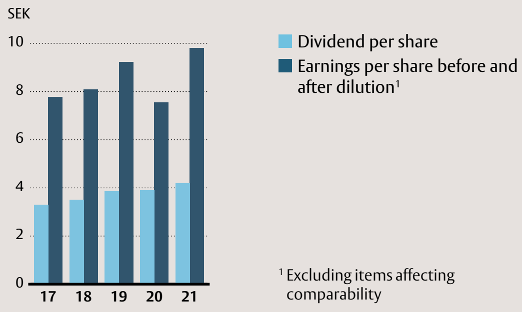
Changes in consolidated equity

SEK M	Parent company's shareholders Share capital	Other contribut-ed capital	Reserves	Retained earnings incl. net income for the year	Non-con-trolling interests	Total
Opening balance 1 January 2020	**371**	**9,675**	**6,728**	**42,369**	**11**	**59,154**
Net income				9,171	1	9,172
Other comprehensive income			–4,934	–262	–1	–5,197
Total comprehensive income			**–4,934**	**8,909**	**0**	**3,975**
Dividend				–4,276	–1	–4,277
Stock purchase plans				28	–	28
Total contributions by and distributions to Parent company's shareholders				**–4,249**	**–1**	**–4,249**
Change in non-controlling interest				1	–1	0
Total transactions with shareholders				**–4,248**	**–2**	**–4,249**
Closing balance 31 December 2020	**371**	**9,675**	**1,794**	**47,030**	**9**	**58,879**
Opening balance 1 January 2021	**371**	**9,675**	**1,794**	**47,030**	**9**	**58,879**
Net income				10,900	1	10,901
Other comprehensive income			3,444	705	1	4,150
Total comprehensive income			**3,444**	**11,605**	**1**	**15,050**
Dividend				–4,332	–2	–4,333
Stock purchase plans				–5	–	–5
Total contributions by and distributions to Parent company's shareholders				**–4,337**	**–2**	**–4,338**
Change in non-controlling interest				–	–	–
Total transactions with shareholders				**–4,337**	**–2**	**–4,338**
Closing balance 31 December 2021	**371**	**9,675**	**5,237**	**54,299**	**9**	**69,592**

Equity per share after dilution and return on equity



Dividend and earnings per share



[1] Excluding items affecting comparability

Income statement – Parent company

SEK M	Note	2020	2021
Administrative expenses	3, 6, 8, 9	–2,279	–2,327
Research and development costs	6, 8, 9	–1,441	–2,004
Capitalized work for own account		8	0
Other operating income and expenses	4	4,580	5,384
Operating income	9, 34	**868**	**1,053**
Financial income	10	5,197	6,271
Financial expenses	9, 11	–703	–603
Income before appropriations and tax		**5,363**	**6,721**
Group contributions		663	636
Change in excess depreciation and amortization		–214	–481
Tax on income	12	–259	–245
Net income		**5,552**	**6,631**

Statement of comprehensive income – Parent company

SEK M	2020	2021
Net income	5,552	6,631
Other comprehensive income	–	–
Total comprehensive income	**5,552**	**6,631**

Balance sheet – Parent company

SEK M	Note	2020	2021
ASSETS			
Non-current assets			
Intangible assets	14	2,498	5,495
Property, plant and equipment	15	50	40
Shares in subsidiaries	17	35,821	40,339
Other financial assets	20	592	561
Total non-current assets		**38,961**	**46,435**
Current assets			
Receivables from subsidiaries		20,534	17,701
Other current receivables		514	488
Prepaid expenses and accrued income		21	42
Cash and cash equivalents	35	0	0
Total current assets		**21,069**	**18,231**
TOTAL ASSETS		**60,030**	**64,666**
EQUITY AND LIABILITIES			
Equity	23		
Restricted equity			
Share capital	24	371	371
Revaluation reserve		275	275
Statutory reserve		8,905	8,905
Fund for development expenses		184	127
Non-restricted equity			
Share premium reserve		787	787
Retained earnings including net income for the year		15,664	18,016
Total equity		**26,186**	**28,481**
Untaxed reserves		1,125	1,606
Non-current liabilities			
Long-term loans	35	15,677	14,577
Total non-current liabilities		**15,677**	**14,577**
Current liabilities			
Short-term loans	35	1,594	1,852
Trade payables		154	199
Current liabilities to subsidiaries		14,862	17,531
Other current liabilities		7	9
Accrued expenses and deferred income	28	425	411
Total current liabilities		**17,042**	**20,002**
TOTAL EQUITY AND LIABILITIES		**60,030**	**64,666**

Cash flow statement – Parent company

SEK M	Note	2020	2021
OPERATING ACTIVITIES			
Operating income		868	1,053
Depreciation and amortization	8	745	1,244
Other non-cash items		50	49
Cash flow before interest and tax		**1,663**	**2,346**
Interest paid and received		–258	–281
Dividends received		3,704	3,293
Tax paid and received		–505	–189
Cash flow before changes in working capital		**4,603**	**5,169**
Change in working capital		751	616
Cash flow from operating activities		**5,355**	**5,785**
INVESTING ACTIVITIES			
Investments in property, plant and equipment and intangible assets		–164	–4,231
Investments in subsidiaries		–1,472	–5,703
Divestments of subsidiaries		–	3,757
Cash flow from investing activities		**–1,636**	**–6,178**
FINANCING ACTIVITES			
Dividend		–4,276	–4,332
Loans raised		3,080	6,373
Loans repaid		–2,500	–1,594
Stock purchase plans		–22	–54
Cash flow from financing activities		**–3,718**	**393**
CASH FLOW		**0**	**0**
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		0	0
Cash flow		0	0
Cash and cash equivalents at 31 December		**0**	**0**

Change in equity – Parent company

	Restricted equity				Non-restricted equity		
SEK M	**Share capital**	**Revaluation reserve**	**Statutory reserve**	**Fund for development expenses**	**Share premium reserve**	**Retained earnings**	**Total**
Opening balance 1 January 2020	**371**	**275**	**8,905**	**219**	**787**	**14,326**	**24,883**
Net income						5,552	5,552
Total comprehensive income						**5,552**	**5,552**
Dividend						–4,276	–4,276
Stock purchase plans						28	28
Reclassifications				–35		35	–
Total transactions with shareholders				**–35**		**–4,213**	**–4,249**
Closing balance 31 December 2020	**371**	**275**	**8,905**	**184**	**787**	**15,664**	**26,186**
Opening balance 1 January 2021	**371**	**275**	**8,905**	**184**	**787**	**15,664**	**26,186**
Net income						6,631	6,631
Total comprehensive income						**6,631**	**6,631**
Dividend						–4,332	–4,332
Stock purchase plans						–5	–5
Reclassifications				–57		57	–
Total transactions with shareholders				**–57**		**–4,279**	**–4,336**
Closing balance 31 December 2021	**371**	**275**	**8,905**	**127**	**787**	**18,016**	**28,481**

Notes

NOTE 1 Significant accounting and valuation principles

Group

ASSA ABLOY applies International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's RFR 1 Supplementary Accounting Rules for Corporate Groups. The accounting principles are based on IFRS as endorsed by 31/12/2021 and have been applied to all years presented, unless stated otherwise. This Note describes the most significant accounting principles that have been applied in the preparation of the financial statements, which comprise the information provided on pages 42–98.

Basis of preparation

ASSA ABLOY's consolidated financial statements have been prepared in accordance with IFRS as endorsed by the EU. The consolidated financial statements have been prepared in accordance with the cost method, except for financial assets and liabilities (including derivative instruments) measured at fair value through profit or loss.

Totals quoted in tables and statements may not always be the exact sum of the individual items because of rounding differences. The aim is that each line item should correspond to its source and rounding differences may therefore arise.

Key estimates and assessments for accounting purposes

The preparation of financial statements requires estimates and assessments to be made for accounting purposes. The management also makes assessments when applying the Group's accounting principles. Estimates and assessments may affect the income statement and balance sheet as well as the supplementary information provided in the financial statements. Consequently, changes in estimates and assessments may lead to changes in the financial statements.

Estimates and assessments play an important part in the measurement of items such as identifiable assets and liabilities in acquisitions, in impairment testing of goodwill and other assets, as well as in determining actuarial assumptions for calculating employee benefits. Estimates and assessments also affect valuation of deferred taxes, other provisions and deferred considerations, as well as valuation of right-of-use assets and lease liabilities where the Group, when estimating the term of a lease, assesses the likelihood that any extension options will be exercised. Estimates and assessments are continually evaluated and are based on both historical experience and reasonable expectations about the future.

The Group considers that estimates and assessments relating to impairment testing of goodwill and other intangible assets with indefinite useful life are of material importance to the consolidated financial statements. The Group tests carrying amounts for impairment on an annual basis. The recoverable amounts of cash generating units are determined by calculating their values in use. The calculations are based on certain assumptions about the future which, for the Group, are associated with the risk of material adjustments in carrying amounts during the next financial year. Material assumptions and the effects of reasonable changes in them are described in Note 14.

The actuarial assumptions made when calculating post-employment employee benefits also have material importance for the consolidated financial statements. For information on these actuarial assumptions, see Note 25.

New and revised standards applied by the Group

As of 1 January 2021, the Group has applied the changes to IFRS 9, IAS 39, IFRS 4, IFRS 7 and IFRS 16 as a consequence of the reference rate reform, phase 2. These changes have not had a material impact on the Group's financial statements. No other new or amended standards with material impact on the Group's financial statements were applied for the first time in 2021.

New and revised IFRS not yet effective

No new standards or interpretations that have been published but have not come into force as of the closing date are expected to have a material impact on future financial reports.

Consolidated financial statements

The consolidated financial statements include ASSA ABLOY AB (the Parent company) and all companies over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Companies acquired during the year are included in the consolidated financial statements with effect from the date when a controlling interest arose. Companies divested during the year are included in the consolidated financial statements up to the date when a controlling interest ceased.

The consolidated financial statements have been prepared in accordance with the purchase method, which means that the cost of shares in subsidiaries was eliminated against their equity at the acquisition date. In this context, equity in subsidiaries is determined on the basis of the fair value of assets, liabilities and contingent liabilities at the acquisition date. Consequently, only that part of the equity in subsidiaries that has arisen after the acquisition date is included in consolidated equity. The Group determines on an individual basis for each acquisition whether a non-controlling interest in the acquired company shall be recognized at fair value or at the interest's proportional share of the acquired company's net assets. Any negative difference, negative goodwill, is recognized as revenue immediately after determination.

Deferred considerations are classified as financial liabilities and revalued through profit or loss in operating income. Significant deferred considerations are discounted to present value. Acquisition-related transaction costs are expensed as incurred.

Intra-Group transactions and balance sheet items, and unrealized profits on transactions between Group companies are eliminated in the consolidated financial statements.

Non-controlling interests

Non-controlling interests are based on the subsidiaries' accounts with application of fair value adjustments resulting from a completed acquisition analysis. Non-controlling interests' share in subsidiaries' earnings is recognized in the income statement, in which net income is attributed to the Parent company's shareholders and to non-controlling interests. Non-controlling interests' share in subsidiaries' equity is recognized separately in consolidated equity. Transactions with non-controlling interests are recognized as transactions with the Group's shareholders in equity.

Associates

Associates are defined as companies which are not subsidiaries but in which the Group has a significant (but not a controlling) interest. This generally refers to companies in which the Group's shareholding represents between 20 and 50 percent of the voting rights.

Investments in associates are accounted for in accordance with the equity method. In the consolidated balance sheet, shareholdings in associates are recognized at cost, and the carrying amount is adjusted for the share of associates' earnings after the acquisition date. Dividends from associates are recognized as a reduction in the carrying amount of the holdings. The share of associates' earnings is recognized in the consolidated income statement in operating income as the holdings are related to business operations.

Segment reporting

Operating segments are reported in accordance with internal reporting to the chief operating decision maker. The chief operating decision maker is the Group's President and CEO, who is responsible for allocating resources and assessing the performance of the operating segments. The divisions form the operational structure for internal control and reporting and also constitute the Group's segments for external financial reporting. The Group's business is divided into five divisions. Three divisions are based on products sold in local markets in the respective division: EMEIA, Americas and Asia Pacific. Global Technologies and Entrance Systems consist of products sold worldwide.

Foreign currency translation

Functional currency corresponds to local currency in each country where Group companies operate. Transactions in foreign currencies are translated to functional currency by application of the exchange rates prevailing on the transaction date. Foreign exchange gains and losses arising from the settlement of such transactions are normally recognized in the income statement, as are those arising from translation of monetary balance sheet items in foreign currencies at the year-end rate. Exceptions are transactions relating to qualifying cash flow hedges, which are recognized in other comprehensive income. Receivables and liabilities are measured at the year-end rate.

In translating the accounts of foreign subsidiaries prepared in functional currencies other than the Group's presentation currency, all balance sheet items except net income are translated at the year-end rate and net income is translated at the average rate. The income statement is translated at the average rate for the period. Exchange differences arising from the translation of foreign subsidiaries are recognized as translation differences in other comprehensive income.

The table below shows the weighted average rate and the closing rate for important currencies used in the Group, relative to the Group's presentation currency (SEK).

		Average rate		Closing rate	
Country	**Currency**	**2020**	**2021**	**2020**	**2021**
United Arab Emirates	AED	2.50	2.33	2.23	2.46
Argentina	ARS	0.13	0.09	0.10	0.09
Australia	AUD	6.35	6.43	6.27	6.56
Brazil	BRL	1.81	1.59	1.57	1.59
Canada	CAD	6.84	6.82	6.40	7.07
Switzerland	CHF	9.78	9.40	9.27	9.86
Chile	CLP	0.012	0.011	0.012	0.011
China	CNY	1.33	1.33	1.25	1.42
Czech Republic	CZK	0.40	0.39	0.38	0.41
Denmark	DKK	1.41	1.36	1.35	1.38
Euro zone	EUR	10.49	10.15	10.05	10.24

Note 1 continued

Country	Currency	Average rate		Closing rate	
		2020	2021	2020	2021
United Kingdom	GBP	11.82	11.77	11.08	12.19
Hong Kong	HKD	1.18	1.10	1.06	1.16
Hungary	HUF	0.030	0.028	0.028	0.028
Israel	ILS	2.67	2.65	2.55	2.91
India	INR	0.124	0.116	0.112	0.121
Kenya	KES	0.087	0.078	0.075	0.080
South Korea	KRW	0.0078	0.0075	0.0075	0.0076
Mexico	MXN	0.43	0.42	0.41	0.44
Malaysia	MYR	2.19	2.07	2.03	2.17
Norway	NOK	0.98	1.00	0.95	1.03
New Zealand	NZD	5.99	6.06	5.88	6.17
Poland	PLN	2.36	2.22	2.21	2.23
Romania	RON	2.17	2.06	2.06	2.07
Thailand	THB	0.29	0.27	0.27	0.27
Turkey	TRY	1.33	0.98	1.12	0.72
US	USD	9.18	8.57	8.19	9.05
South Africa	ZAR	0.57	0.58	0.56	0.57

Revenue

The Group recognizes revenue from contracts with customers based on the five-step model described in IFRS 15. Revenue is recognized when the entity satisfies a performance obligation by transferring a promised good or service to a customer. The good or service is transferred when the customer acquires control over the asset, which may happen either over time or at a particular point in time.

Under the five-step model an entity must complete the following steps before revenue can be recognized: Identify contracts with customers, identify performance obligations, determine the transaction price, allocate the transaction price to each of the separate performance obligations, and finally recognize the revenue attributable to each performance obligation.

At the beginning of the customer contract ASSA ABLOY determines whether the goods and/or services that are promised in the agreement comprise one performance obligation or several separate performance obligations.

A performance obligation is defined as a distinct promise to transfer a good or a service to the customer. A promised good or service is distinct if both of the following criteria are met:

a) the customer can benefit from the good or service separately or together with other resources that are readily available to the customer and
b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

When determining the transaction price, which is the amount of consideration promised in the contract, the Group takes into account any variable considerations, such as cash discounts, volume-based discounts, and right of returns. The transaction price includes variable considerations only if it is highly probable that a significant reversal of the revenue is not expected to occur in a future period.

ASSA ABLOY receives payment in advance from customers to a limited extent. No customer contracts within the Group relating to the sale of goods or services are assessed to contain a significant financing component. The Group does not recognize any contract costs since the Group applies the practical expedient permitted by the standard, under which incremental costs of obtaining a contract are recognized as an expense when incurred if the amortization period of the asset that the Group otherwise would have recognized is one year or less.

ASSA ABLOY allocates the transaction price for each performance obligation on the basis of a stand-alone selling price. The stand-alone selling price is the price for which the Group would sell the good or service separately to a customer. In cases where a stand-alone selling price is not directly observable, it is usually calculated based on the adjusted market assessment approach or the expected cost plus a margin approach.

Any discounts are allocated proportionately to all performance obligations in the contract, provided there is not observable evidence that the discount does not relate to all performance obligations.

ASSA ABLOY recognizes revenue when the Group satisfies a performance obligation by transferring a good or service to a customer, i.e. as the customer gains control over the asset. A performance obligation is met either over time or at a particular point in time. ASSA ABLOY recognizes revenue over time if any of the following criteria are met:

a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs an obligation
b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced
c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Revenue that is not recognized over time is recognized at a given point in time, i.e. the point in time when the customer gains control over the asset.

The Group's revenue mainly consists of product sales. Service related to products sold represents a limited share of revenue. Revenue for the sale of the Group's products is recognized at a given point in time when the customer gains control over the product, usually at the time of delivery. ASSA ABLOY also carries out installation services, which are recognized over time. For shorter installation jobs, revenue is recognized in practice upon completion of installation. Revenue from service contracts is recognized over time.

For product sales, a receivable is recognized when the goods have been delivered, since this is usually the point in time when the consideration becomes unconditional. Payment terms for trade receivables differ among geographic markets.

Intra-Group sales

Transactions between Group companies are carried out at arm's length and thus at market prices. Intra-Group sales are eliminated from the consolidated income statement, and profits on such transactions have been eliminated in their entirety.

Government grants

Grants and support from governments, public authorities and the like are recognized when there is reasonable assurance that the company will comply with the conditions attaching to the grant and that the grant will be received. Grants relating to assets are recognized after reducing the carrying amount of the asset by the amount of the grant.

Research and development

Research expenditure is expensed as incurred. Development expenditure is recognized in the balance sheet to the extent that it is expected to generate future economic benefits for the Group and provided such benefits can be reliably measured.

Capitalized development expenditure is amortized over the expected useful life. Such intangible assets, which are not yet in use, are tested annually for impairment. Expenditure on the further development of existing products is expensed as incurred.

Borrowing costs

Borrowing costs are interest expenses and other expenses directly related to borrowing. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are included in the cost of the asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Tax on income

The income statement includes all tax that is to be paid or received for the current year, adjustments relating to tax due for previous years, and changes in deferred tax. These taxes have been calculated at nominal amounts, in accordance with the tax regulations in each country, and in accordance with tax rates that have either been decided or have been notified and can confidently be expected to be confirmed. For items recognized in the income statement, associated tax effects are also recognized in the income statement. The tax effects of items recognized directly against equity or in other comprehensive income are themselves recognized against equity or in other comprehensive income. The liability method is used in accounting for deferred tax. This means that deferred tax is recognized on all temporary differences between the carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets relating to tax losses carried forward or other future tax allowances are recognized to the extent that it is probable that the allowance can be offset against taxable income in future taxation. Deferred tax liabilities for temporary differences relating to investments in subsidiaries are not recognized in the consolidated financial statements, since the Parent company can control the time at which the temporary differences are reversed, and it is not considered likely that such reversal will occur in the foreseeable future. Deferred tax assets and deferred tax liabilities are offset when there is a legal right to do so and when deferred taxes relate to the same tax authority.

The Group measures each uncertain tax position using either the most likely amount or the expected value, based on the method expected to reflect the outcome in the best way. Assessments are reconsidered when there is new information that affects earlier judgments.

Cash flow statement

The cash flow statement has been prepared according to the indirect method. The recognized cash flow includes only transactions involving cash payments.

Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, and short-term financial investments that mature within three months of the acquisition date and are subject to a negligible risk of fluctuation in value.

Note 1 continued

Goodwill and acquisition-related intangible assets

Goodwill represents the positive difference between the acquisition cost and the fair value of the Group's share of the acquired company's identifiable net assets at the acquisition date, and is recognized at cost less accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually to identify any impairment loss. Cash generating units are subject to systematic annual impairment testing using a valuation model based on discounted future cash flows. Deferred tax assets based on local tax rates are recognized in terms of tax-deductible goodwill (with corresponding reduction of the goodwill value). Such deferred tax assets are expensed as the tax deduction is utilized. Other acquisition-related intangible assets consist chiefly of various types of intellectual property rights, such as brands, technology and customer relationships. Identifiable acquisition-related intangible assets are initially recognized at fair value at the acquisition date and subsequently at cost less accumulated amortization and impairment losses. Amortization is on a straight-line basis over the estimated useful life and amounts to 5–12 years for technology and 8–15 years for customer relationships. Acquisition-related intangible assets with an indefinite useful life are tested for impairment annually in the same way as goodwill.

Other intangible assets

An intangible asset that is not acquisition-related is recognized only if it is likely that the future economic benefits associated with the asset will flow to the Group, and if the cost of the asset can be reliably measured. Such an asset is initially recognized at cost and is amortized over its estimated useful life, usually between three and five years. The carrying amount is the cost less accumulated amortization and impairment losses.

Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and impairment losses. Cost includes expenditure directly attributable to acquisition of the asset. Subsequent expenditure is capitalized if it is probable that economic benefits associated with the asset will flow to the Group, and if the cost can be reliably measured. Expenditure on repairs and maintenance is expensed as incurred. Depreciable amount is the cost of an asset less its estimated residual value. Land is not depreciated. For other assets, cost is depreciated over the estimated useful life, which for the Group results in the following average depreciation periods:

- Buildings 25–50 years
- Land improvements 10–25 years.
- Machinery 7–10 years
- Equipment 3–6 years

The residual value and useful life of assets are reviewed at each reporting date and adjusted when necessary. Gain or loss on the disposal of property, plant and equipment is recognized in the income statement as 'Other operating income' or 'Other operating expenses', and consists of the difference between the selling price and the carrying amount.

Leases

Within the Group there are a large number of current leases for which the Group is the lessee, mostly relating to offices, premises and vehicles. The Group recognizes a right-of-use asset and a lease liability corresponding to the present value of future lease payments in the balance sheet on the day the leased asset is made available for use. In calculating the present value, the Group's incremental borrowing rate by currency is used. When measuring right-of-use and lease liability, the Group made estimates and assumptions such as whether any options to extend or terminate a lease agreement will be exercised.

The right-of-use asset is depreciated on a straight-line basis over the lease term, or over the period of use of the underlying asset if the lease transfers ownership of the underlying asset to the Group by the end of the lease term. Depreciation is recognized as an expense in profit or loss, while interest expense attributable to the lease liability is recognized in net financial items.

In the statement of cash flows the lease payments are split between interest paid in cash flow from operating activities and amortization of lease liabilities in financing activities. Operating cash flow includes amortization of lease liabilities as an operating component.

The Group does not recognize any right of use or lease liability regarding obligations for short-term leases and low-value leases. Lease payments relating to such leases are reported as operating expenses over the lease term.

For periods before 2019 the Group recognizes leases in accordance with IAS 17 which means that lease payments are expensed on a straight-line basis over the term of the lease and are recognized as operating expenses.

Impairment

Assets with an indefinite useful life are not amortized but are tested for impairment on an annual basis and when events or circumstances indicate that the carrying amount may not be recoverable. For impairment testing purposes, assets are grouped at the lowest organizational level where there are separate identifiable cash flows, so-called cash generating units (CGU).

For assets that are depreciated/amortized, impairment testing is carried out when events or circumstances indicate that the carrying amount may not be recoverable.

Impairment losses are recognized in the amount by which the carrying amount of the asset exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less selling expenses and its value in use.

Inventories

Inventories are valued in accordance with the 'first in, first out' principle at the lower of cost and net realizable value at the reporting date. Deductions are made for internal profits arising from deliveries between Group companies. Work in progress and finished goods include both direct costs incurred and a fair allocation of indirect production costs.

Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Regarding provisions for expected credit losses on trade receivables, see the section Impairment of financial assets. The year's change in expected credit losses is recognized in the income statement as selling expenses.

Financial assets

Financial assets include cash and cash equivalents, trade receivables, short-term investments, derivatives and other financial assets.

Under IFRS 9, the Group classifies financial assets in the categories financial assets at amortized cost, financial assets at fair value through profit or loss, or financial assets at fair value through other comprehensive income.

Financial assets at amortized cost

Financial assets at amortized cost mainly comprise trade receivables and cash and cash equivalents. A financial asset is measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets to collect their contractual cash flows, and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets in this category are initially recognized at fair value plus transaction costs that are directly related to the purchase and then at amortized cost.

Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and also the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets in this category are initially recognized at fair value plus transaction costs that are directly related to the purchase and then at fair value through other comprehensive income. As of the reporting date the Group has no financial assets in this category.

Financial assets at fair value through profit or loss

Financial assets that are not recognized in any of the other categories are measured at fair value through profit or loss. Financial assets in this category are initially recognized at fair value. Transaction costs related to financial assets recognized in this category are expensed directly in the income statement. As of the reporting date, this category comprises shares and participations.

Impairment of financial assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses for trade receivables. Under this approach, a provision is made for lifetime expected credit losses for the trade receivable. For calculation of expected credit losses, the trade receivables are grouped based on the number of days past due. Expected credit losses on trade receivables that are not past due are primarily based on actual credit losses from recent years.

Impairment that would be considered for other financial assets that are within the scope of expected credit losses have been assessed to be immaterial.

Financial liabilities

Financial liabilities include deferred considerations, loan liabilities, trade payables and derivatives. Recognition depends on how the liability is classified. The Group classifies financial liabilities in the categories: financial liabilities at amortized cost and financial liabilities at fair value through profit or loss.

Financial liabilities are initially measured at fair value less, for a financial liability that is not measured at fair value through profit or loss, transaction costs that are directly related to the acquisition or issue of the financial liability. After initial recognition, finan-

Note 1 continued

cial liabilities are recognized either at amortized cost or at fair value through profit or loss, depending on the classification of the financial liability.

Financial liabilities at fair value through profit or loss
This category includes derivatives with a negative fair value that are not used for hedge accounting and deferred considerations. Liabilities are measured at fair value on a continuous basis and changes in value are recognized in the income statement.

Loan liabilities
Loan liabilities are initially valued at fair value, net of transaction costs, and subsequently at amortized cost. Amortized cost is determined based on the effective interest rate calculated when the loan was raised. Accordingly, surplus values and negative surplus values as well as direct issue expenses are allocated over the term of the loan. Non-current loan liabilities have an anticipated term of more than one year, while current loan liabilities have a term of less than one year.

Trade payables
Trade payables are initially valued at fair value, and subsequently at amortized cost using the effective interest method.

Recognition and measurement of financial assets and liabilities
Acquisitions and sales of financial assets are recognized on the trade date, the date on which the Group commits to purchase or sell the asset. Transaction costs are initially included in fair value for all financial instruments, except for those recognized at fair value through profit or loss where the transaction cost is recognized through profit or loss. The fair value of quoted investments is based on current bid prices. In the absence of an active market for an investment, the Group applies various measurement techniques to determine fair value. These include use of available information on current arm's length transactions, comparison with equivalent assets and analysis of discounted cash flows. A financial asset is derecognized from the balance sheet when the right to receive cash flows from the asset expires or is transferred to another party through the transfer of all the risks and benefits associated with the asset to the other party. A financial liability is derecognized from the balance sheet when the obligation is fulfilled, cancelled or expires, see above.

Financial assets and liabilities are offset against each other and the net amount is recognized in the balance sheet when there is a legal right of set-off and there is an intention to settle the items by a net amount. See note 35 for disclosures about offsetting of financial assets and liabilities.

Derivative instruments and hedging
Derivative instruments are recognized in the balance sheet at the transaction date and are measured at fair value, both initially and in subsequent revaluations. The method for recognizing profit or loss depends on whether the derivative instrument is designated as a hedging instrument, and if so, the nature of the hedged item. For derivatives not designated as hedging instruments, changes in value are recognized on a continuous basis through profit or loss under financial items, either as income or expense.

The Group designates derivatives as follows:
i) Fair value hedge: a hedge of the fair value of an identified liability;
ii) Cash flow hedge: a hedge of a certain risk associated with a forecast cash flow for a certain transaction; or
iii) Net investment hedge: a hedge of a net investment in a foreign subsidiary.

When entering into the hedge transaction, the Group documents the relationship between the hedging instrument and hedged items, as well as its risk management strategy for the hedge. The Group also documents its assessment, both on inception and on a regular basis, of whether the derivative instruments used in hedge transactions are effective in offsetting changes in fair value attributable to the hedged items.

The fair value of forward exchange contracts is calculated at net present value based on prevailing forward rates on the reporting date, while interest rate swaps are measured by estimating future discounted cash flows.

For information on the fair value of derivative instruments, see Note 35, 'Financial risk management and financial instruments'. Derivatives at fair value, with a maturity of more than 12 months, are classified as non-current interest-bearing liabilities or receivables. Other derivatives are classified as current interest-bearing liabilities and investments respectively.

Fair value hedges
For derivatives that are designated and qualify as fair value hedges, changes in value of both the hedged item and the hedging instrument are recognized on a continuous basis in the income statement (under financial items). Fair value hedges are used to hedge interest rate risk in borrowing linked to fixed interest terms. If the hedge would no longer qualify for hedge accounting, the fair value adjustment of the carrying amount is dissolved through profit or loss over the remaining term using the effective interest method.

Cash flow hedges
For derivatives that are designated and qualify as cash flow hedges, changes in value of the hedging instrument are recognized on a continuous basis in other comprehensive income for the part relating to the effective portion of the hedges. Gain or loss arising from ineffective portions of derivatives is recognized directly in the income statement under financial items. When a hedging instrument expires, is sold or no longer qualifies for hedge accounting, and accumulated gains or losses relating to the hedge are recognized in equity, these gains/losses remain in equity and are taken to income, while the forecast transaction is finally recognized in the income statement. When a forecast transaction is no longer expected to occur, the accumulated gain or loss recognized in equity is immediately transferred to other comprehensive income in the income statement. When a forecast transaction is no longer expected to occur, the gain or loss recognized in other comprehensive income is recognized directly under financial items.

Net investment hedges
For derivatives that are designated and qualify as net investment hedges, the portion of value changes in fair value designated as effective is recognized in other comprehensive income. The ineffective portion of the gain or loss is recognized directly in profit or loss for the period under financial items. Accumulated gain or loss in other comprehensive income is recognized in the income statement when the foreign operation, or part thereof, is sold.

Provisions
A provision is recognized when the Group has a legal or constructive obligation resulting from a past event and it is probable that an outflow of resources will be required to settle the obligation, and that a reliable estimate of the amount can be made. Provisions are recognized at a value equivalent to the outflow of resources that will probably be required to settle the obligation. The amount of a provision is discounted to present value where the effect of time value is considered material.

Assets and liabilities of disposal group classified as held for sale
Assets and liabilities are classified as held for sale when their carrying amounts will principally be recovered through a sale and when such a sale is considered highly probable. They are recognized at the lower of carrying amount and fair value less selling expenses. As of the reporting date the Group had no assets or liabilities classified as held for sale.

Remuneration of employees
The Group operates both defined contribution and defined benefit pension plans. Comprehensive defined benefit plans are found chiefly in the US, the UK and Germany. Post-employment medical benefits are also provided, mainly in the US, and are reported in the same way as defined benefit pension plans. Calculations relating to the Group's defined benefit plans are performed by independent actuaries and are based on a number of actuarial assumptions such as discount rate, future inflation and salary increases. Obligations are valued on the reporting date at their discounted value. For funded plans, obligations are reduced by the fair value of the plan assets. Where a funded plan has a surplus, the net asset is measured at the lower of i) the surplus in the defined benefit plan and ii) the asset ceiling, i.e. the present value of available economic benefits in the form of refunds from the plan or in the form of reductions in future contributions to the plan.

Actuarial gains and losses resulting from experience-based adjustments and changes in actuarial assumptions are recognized in other comprehensive income during the period they arise. The pension expense for defined benefit plans is spread over the employee's service period. The Group's payments relating to defined contribution pension plans are recognized as an expense in the period to which they relate, based on the services performed by the employee. Swedish Group companies calculate tax on pension costs based on the difference between pension expense determined in accordance with IAS 19 and pension expense determined in accordance with the regulations applicable in the legal entity.

Equity-based incentive programs
The Group has equity-based remuneration plans in the form of ASSA ABLOY's long-term incentive program presented for the first time at the 2010 Annual General Meeting. Detailed information about the structure of the various programs can be found in Note 34 Employees. For the long-term incentive program, personnel costs during the vesting period are recognized based on the shares' fair value on the allotment date, that is, when the company and the employees entered into an agreement on the terms and conditions for the program. The long-term incentive program through 2017 comprised two parts: a matching part where the employee receives one share for every share the latter invests during the term of the program, and a performance-based part where the outcome is based on the company's financial results (EPS target) during the period. The program requires that the employee continues to invest in the long-term incentive program and that the latter remains employed in the ASSA ABLOY Group. Beginning in 2018, no matching portion is included in the long-term incentive programs.

Fair value is based on the share price on the allotment date; a reduction in fair value relating to the anticipated dividend has not been made as the participants are compen-

Note 1 continued

sated for this. The employees pay a price equivalent to the share price on the investment date. The vesting terms are not stock market based and affect the number of shares that ASSA ABLOY will give to the employee when matching. If an employee stops investing in the program, all remaining personnel costs are recognized in the income statement. Personnel costs for shares relating to the performance-based program are calculated on each accounting date based on an assessment of the probability of the performance targets being achieved. The costs are calculated based on the number of shares that ASSA ABLOY expects to need to settle at the end of the vesting period. When allocating shares, social security contributions must be paid in some countries to the value of the employee's benefit. This value is based on fair value on each accounting date and recognized as a provision for social security contributions.

The long-term incentive programs are essentially equity settled and an amount equivalent to the personnel cost is recognized against retained earnings in equity. In the income statement, the personnel cost is allocated to the respective function.

Earnings per share
Earnings per share before dilution is calculated by dividing the net income attributable to the Parent company's shareholders by the weighted average number of outstanding shares (less treasury shares). Earnings per share after dilution is calculated by dividing the net income attributable to the Parent company's shareholders by the sum of the weighted average number of ordinary shares and potential ordinary shares that may give rise to a dilutive effect. The dilutive effect of potential ordinary shares is only recognized if their conversion to ordinary shares would lead to a reduction in earnings per share after dilution.

Dividend
Dividend is recognized as a liability after the General Meeting has approved the dividend.

Parent company
The Group's Parent company, ASSA ABLOY AB, is responsible for Group management and provides Group-wide functions. The Parent company's revenue consists of intra-Group franchise and royalty revenues. The significant balance sheet items consist of shares in subsidiaries, intra-Group receivables and liabilities, and external borrowing. The Parent company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's RFR 2 Accounting for Legal Entities. RFR 2 requires the Parent company, in its annual accounts, to apply all the International Financial Reporting Standards (IFRS) adopted by the EU in so far as this is possible within the framework of the Annual Accounts Act and with regard to the relationship between accounting and taxation. The recommendation states which exceptions from and additions to IFRS should be made.

Revenue
The Parent company's revenue consists of intra-Group franchise and royalty revenues. These are recognized in the income statement as 'Other operating income' to make clear that the Parent company has no product sales like other Group companies with external operations.

Dividend
Dividend revenue is recognized when the right to receive payment is considered certain.

Research and development costs
Research and development costs are expensed as incurred, with the exception of large product development projects, which have been capitalized.

Intangible assets
Intangible assets comprise patented technology and other intangible assets. They are amortized over 5–10 years.

Property, plant and equipment
Property, plant and equipment owned by the Parent company are recognized at cost less accumulated depreciation and any impairment losses in the same way as for the Group. They are depreciated over their estimated useful life, which entails 5–10 years for equipment and 3–5 years for IT equipment.

Trade receivables
Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The Parent company applies the IFRS 9 simplified approach to measuring expected credit losses for trade receivables. However, the expected credit losses attributable to the Parent company's trade receivables have been assessed to be immaterial.

Pension obligations
The Parent company's pension obligations are accounted for in accordance with FAR RedR 1 and are covered by taking out insurance with an insurance company.

Leases
The Parent company recognizes leases in accordance with RFR 2, which means that lease payments are expensed in a straight line over the lease term.

Shares in subsidiaries
Shares in subsidiaries are recognized at cost less impairment losses. When there is an indication that the value of shares and interests in subsidiaries or associates has fallen, the recoverable amount is calculated. If this is lower than the carrying amount, an impairment loss is recognized. Impairment losses are recognized in Financial expenses in the income statement.

Financial instruments
Derivative instruments are recognized at fair value. Changes in the value of derivative instruments are recognized in profit or loss.

Group contributions
The Parent company recognizes Group contributions in accordance with RFR 2. Group contributions received and paid are recognized under appropriations in the income statement. The tax effect of Group contributions is recognized in accordance with IAS 12 in the income statement.

Contingent liabilities
The Parent company has guarantees on behalf of its subsidiaries. Such an obligation is classified as a financial guarantee in accordance with IFRS. For these guarantees, the Parent company applies the alternative rule in RFR 2, reporting these guarantees as a contingent liability.

NOTE 2 Sales

Disaggregation of revenue from contracts with customers

Sales by product group

	EMEIA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Group	
SEK M	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**
Mechanical locks, lock systems and fittings	9,012	9,814	7,892	8,562	4,357	4,289	291	294	7	8	–638	–703	20,921	22,264
Electromechanical and electronic locks	6,335	6,757	4,860	5,347	1,916	2,077	13,844	14,283	738	1,016	–800	–1,065	26,892	28,415
Security doors and hardware	3,131	3,392	6,224	6,560	2,497	2,240	24	27	2,364	2,930	–101	–127	14,139	15,023
Entrance automation	504	559	38	39	70	113	–	–	25,214	28,737	–129	–141	25,697	29,306
Total	**18,982**	**20,522**	**19,013**	**20,507**	**8,841**	**8,719**	**14,158**	**14,604**	**28,323**	**32,690**	**–1,668**	**–2,036**	**87,649**	**95,007**

Sales by continent

	EMEIA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Group	
SEK M	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**
Europe	16,881	17,760	64	92	506	624	3,759	4,247	12,126	14,750	–751	–887	32,584	36,587
North America	426	434	17,354	18,288	797	1,073	6,795	6,790	14,160	15,803	–593	–734	38,939	41,653
Central and South America	64	75	1,436	1,994	43	63	424	430	60	70	–41	–35	1,986	2,597
Africa	665	909	40	12	15	11	386	288	56	49	–23	–34	1,139	1,234
Asia	835	1,213	109	114	5,155	4,503	2,070	2,070	1,126	1,068	–146	–201	9,149	8,767
Oceania	111	131	10	8	2,326	2,445	724	779	794	951	–113	–144	3,852	4,170
Total	**18,982**	**20,522**	**19,013**	**20,507**	**8,841**	**8,719**	**14,158**	**14,604**	**28,323**	**32,690**	**–1,668**	**–2,036**	**87,649**	**95,007**

Customer sales by country

	Group	
SEK M	**2020**	**2021**
US	34,659	36,728
France	4,046	5,503
Sweden	4,767	5,009
United Kingdom	3,843	4,611
Germany	3,616	4,074
China	4,077	3,724
Australia	3,124	3,377
Canada	2,885	3,354
Netherlands	2,179	2,335
Finland	1,999	1,869
Belgium	1,424	1,587
Mexico	1,395	1,571
Norway	1,541	1,497
Denmark	1,400	1,382
Switzerland	1,064	1,308
Spain	1,052	1,217
South Korea	1,355	1,151
Poland	974	1,142
Brazil	788	1,037
Italy	811	898
New Zealand	695	773
Austria	663	736
India	418	607
Ireland	483	566
South Africa	480	554
Czech Republic	440	461

	Group	
SEK M	**2020**	**2021**
Chile	355	438
United Arab Emirates	399	437
Singapore	263	339
Saudi Arabia	414	331
Israel	268	294
Hong Kong	281	288
Hungary	243	277
Colombia	171	267
Japan	303	248
Turkey	221	241
Portugal	224	230
Estonia	229	217
Romania	199	214
Egypt	98	212
Russia	169	202
Philippines	159	180
Taiwan	115	174
Thailand	198	166
Malaysia	134	148
Croatia	125	146
Guatemala	125	136
Slovakia	119	119
Slovenia	74	111
Latvia	92	104
Other countries	2,493	2,416
Total	**87,649**	**95,007**

Note 2 continued

Contract assets and contract liabilities
The Group recognizes the following revenue-related contract assets and contract liabilities:

Contract assets

	Group	
SEK M	**2020**	**2021**
Accrued revenue	679	831
Total	**679**	**831**

Contract liabilities

	Group	
SEK M	**2020**	**2021**
Non-current advances from customers and deferred revenue	44	48
Current advances from customers and deferred revenue	1,789	2,195
Total	**1,833**	**2,243**

Contract assets increased by SEK 152 M during the year, of which acquired companies contributed SEK 16 M. Contract liabilities have increased by SEK 410 M. Acquired and discontinued companies resulted in a net increase in contract liabilities of SEK 18 M during the year. The total contract liability at 31 December 2020 of SEK 1,833 M was to a large extent recognized as income in 2021.

Remaining performance obligations
The total transaction price allocated to unsatisfied performance obligations at the reporting date amounts to SEK 22,851 M. Of this amount, SEK 21,194 M is expected to be recognized as revenue in 2021, while an estimated SEK 1,657 M will be recognized as revenue in 2022 or later.

At 31 December 2020 the total transaction price allocated to unsatisfied performance obligations was SEK 14,505 M.

NOTE 3 Auditors' fees

	Group		Parent company	
SEK M	**2020**	**2021**	**2020**	**2021**
Audit assignment				
EY	61	64	7	8
Others	29	22	–	–
Audit-related services in addition to audit assignment				
EY	1	2	1	2
Tax advice				
EY	2	3	0	–
Others	19	14	6	9
Other services				
EY	2	2	1	1
Others	7	33	1	–
Total	**121**	**141**	**16**	**20**

The auditors' fee for EY in Sweden during the year was SEK 11 M (11) and the fee for extra services was SEK 2 M (1).

NOTE 4 Other operating income and expenses

	Group	
SEK M	**2020**	**2021**
Restructuring costs	–54	–
Revaluation of previously owned shares in associates	1,909	–
Remeasurement of deferred considerations	203	184
Profit/loss on sales of non-current assets	3	15
Profit/loss on sales of subsidiaries	–46	–190
Business-related taxes	–22	–50
Transaction expenses from acquisitions	–233	–207
Exchange rate differences	–97	–99
Other, net	–248	–30
Total	**1,415**	**–377**

Parent company
Other operating income in the Parent company consists mainly of franchise and royalty revenues from subsidiaries.

NOTE 5 Share of earnings in associates

	Group	
SEK M	**2020**	**2021**
Agta record AG	231	–
Goal Co., Ltd	9	18
Saudi Crawford Doors Ltd	6	2
PT Jasuindo Arjo Wiggins Security	9	1
SARA Loading Bay Ltd	2	–2
Total	**257**	**19**

On 20 August 2020 a majority stake was acquired in agta record AG and the company transitioned from associate to subsidiary. The company was consolidated from this date.

NOTE 6 Recognition of leases for the Parent company

The Parent company recognizes leases in accordance with RFR 2, which means that lease payments are expensed in a straight line over the lease term. Leases in the Parent company mainly relate to rented premises and cars.

	Parent company	
SEK M	**2020**	**2021**
Lease payments during the year	15	14
Total	**15**	**14**
Nominal value of agreed future lease payments:		
Due for payment in:		
(2021) 2022	6	12
(2022) 2023	3	12
(2023) 2024	3	5
(2024) 2025	3	1
(2025) 2026	1	–
Total	**16**	**31**

NOTE 7 Expenses by nature

In the income statement costs are broken down by function. Below, these same costs are broken down by nature:

	Group	
SEK M	2020	2021
Remuneration of employees (note 34)	27,170	27,921
Direct material costs	30,830	33,873
Depreciation and amortization (notes 8, 14, 15)	3,776	3,841
Other purchase expenses	15,087	14,833
Total	**76,863**	**80,468**

NOTE 8 Depreciation and amortization

	Group		Parent company	
SEK M	2020	2021	2020	2021
Intangible assets	1,201	1,285	733	1,231
Machinery	617	609	–	–
Equipment	420	436	12	14
Buildings	221	236	–	–
Land improvements	9	10	–	–
Right-of-use assets	1,307	1,265	–	–
Total	**3,776**	**3,841**	**745**	**1,244**

NOTE 9 Exchange differences in the income statement

	Group		Parent company	
SEK M	2020	2021	2020	2021
Exchange differences recognized in operating income	–97	–99	–17	–4
Exchange differences recognized in financial expenses	2	25	–128	–1
Total	**–95**	**–74**	**–145**	**–5**

NOTE 10 Financial income

	Group		Parent company	
SEK M	2020	2021	2020	2021
Dividends received from subsidiaries	–	–	3,667	3,290
Dividends received from associates	–	–	37	3
Capital gain/loss on sale of subsidiaries	–	–	–	2,573
Fair value adjustments shares and interests	–	–	1,201	–
Intra-Group interest income	–	–	292	255
External interest income and similar items	3	2	–	–
Other financial income	7	5	–	149
Total	**10**	**6**	**5,197**	**6,271**

NOTE 11 Financial expenses

	Group		Parent company	
SEK M	2020	2021	2020	2021
Intra-Group interest expenses	–	–	–251	–279
Interest expenses, other liabilities[1]	–569	–555	–297	–259
Interest expenses, interest rate swaps	–55	54	–	–
Interest expenses, currency derivatives	–122	–91	–	–
Exchange rate differences on financial items	2	25	–128	–1
Other financial expenses	–48	–82	–28	–64
Total	**–792**	**–649**	**–703**	**–603**

[1] Of which SEK –234 M (103) is fair value adjustments on derivative instruments, non-hedge accounting, for the Group.

NOTE 12 Tax on income

	Group		Parent company	
SEK M	2020	2021	2020	2021
Current tax	–2,713	–3,042	–219	–209
Tax attributable to prior years	220	–108	–8	–1
Withholding tax	–28	–29	–11	–3
Deferred tax	18	541	–22	–32
Total	**–2,504**	**–2 638**	**–259**	**–245**

Explanation for the difference between nominal Swedish tax rate and effective tax rate based on income before tax:

	Group		Parent company	
Percent	2020	2021	2020	2021
Swedish income tax rate	21	21	21	21
Effect of foreign tax rates	3	4	–	–
Non-taxable income/non-deductible expenses	1	0	–17	–17
Exercised/new, not yet measured tax loss carryforwards	3	1	–	–
Non-taxable revaluation of shares in associates	–4	–	–	–
Effect of internal sale of brand	–	–5	–	–
Other	–3	–1	–	–
Effective tax rate in income statement	**21**	**20**	**4**	**4**

NOTE 13 Earnings per share

Earnings per share before and after dilution

	Group	
SEK M	2020	2021
Earnings attributable to the Parent company's shareholders	9,171	10,900
Net profit	9,171	10,900
Weighted average number of outstanding shares (thousands)	1,110,776	1,110,776
Earnings per share (SEK)	**8.26**	**9.81**

None of the Group's outstanding long-term incentive programs are expected to result in significant dilution in the future.

Earnings per share before and after dilution and excluding items affecting comparability

	Group	
SEK M	2020	2021
Earnings attributable to the Parent company's shareholders	9,171	10,900
Items affecting comparability		
Revaluation of shares in associates	1,909	–
Restructuring costs	–1,366	–
Tax effect restructuring costs	255	–
Total items affecting comparability after tax	**797**	**–**
Net profit excluding items affecting comparability	8,374	10,900
Weighted average number of outstanding shares (thousands)	1,110,776	1,110,776
Earnings per share excluding items affecting comparability (SEK)	**7.54**	**9.81**

NOTE 14 Intangible assets

2021, SEK M	Group: Goodwill	Group: Brands	Group: Other intangible assets	Group: Total	Parent company: Intangible assets
Opening accumulated acquisition cost	**62,392**	**8,701**	**13,820**	**84,914**	**7,727**
Purchases	–	1	228	228	4,228
Acquisitions of subsidiaries	1,276	0	152	1,428	–
Divestments of subsidiaries	–775	–	–40	–815	–
Sales, disposals and adjustments	–	–63	–389	–452	–
Reclassifications	–	0	16	16	–
Exchange rate differences	4,190	512	738	5,439	–
Closing accumulated acquisition cost	**67,084**	**9,151**	**14,525**	**90,759**	**11,955**
Opening accumulated amortization and impairment	**–4,048**	**–1,194**	**–7,219**	**–12,462**	**–5,229**
Divestments of subsidiaries	–	–	31	31	–
Sales, disposals and adjustments	–	63	387	450	–
Depreciation, amortization and impairment	–	–2	–1,282	–1,285	–1,231
Impairment recognized in restructuring reserve	–	–	–32	–32	–
Exchange rate differences	–533	–149	–444	–1,126	–
Closing accumulated amortization and impairment	**–4,582**	**–1,282**	**–8,559**	**–14,423**	**–6,460**
Carrying amount	**62,502**	**7,869**	**5,966**	**76,336**	**5,495**

2020, SEK M	Group: Goodwill	Group: Brands	Group: Other intangible assets	Group: Total	Parent company: Intangible assets
Opening accumulated acquisition cost	**61,970**	**7,410**	**12,817**	**82,197**	**7,604**
Purchases	–	1	389	390	122
Acquisitions of subsidiaries	6,421	1,904	1,377	9,703	–
Divestments of subsidiaries	–882	–95	–25	–1,002	–
Sales, disposals and adjustments	–	0	–32	–32	–
Reclassifications	–	1	8	9	–
Exchange rate differences	–5,116	–520	–714	–6,350	–
Closing accumulated acquisition cost	**62,392**	**8,701**	**13,820**	**84,914**	**7,727**
Opening accumulated amortization and impairment	**–4,309**	**–1,263**	**–6,270**	**–11,842**	**–4,496**
Divestments of subsidiaries	–	4	6	10	–
Sales, disposals and adjustments	–	–	6	6	–
Reclassifications	–	–	–2	–2	–
Depreciation and amortization	–	–3	–1,199	–1,201	–733
Impairment	–	–	–69	–69	–
Exchange rate differences	260	68	308	637	–
Closing accumulated amortization and impairment	**–4,048**	**–1,194**	**–7,219**	**–12,462**	**–5,229**
Carrying amount	**58,344**	**7,506**	**6,601**	**72,452**	**2,498**

Other intangible assets consist mainly of customer relations and technology. The carrying amount of intangible assets with an indefinite useful life, excluding goodwill, amounts to SEK 7,830 M (7,467) and relates to brands.

Useful life has been defined as indefinite where the time period, during which an asset is deemed to contribute economic benefits, cannot be determined.

Impairment testing of goodwill and intangible assets with indefinite useful life
Goodwill and intangible assets with an indefinite useful life are allocated to the Group's Cash Generating Units (CGUs), which consist of the Group's five divisions.

For each cash-generating unit, the Group tests goodwill and intangible assets with an indefinite useful life for impairment annually and when events or circumstances indicate that the carrying amount may not be recoverable. Recoverable amounts for Cash Generating Units have been determined by calculating value in use. These calculations are based on estimated future cash flows, which in turn are based on financial forecasts for a six-year period. Cash flows beyond the forecasted period are extrapolated using estimated growth rates according to the information below.

Material assumptions used to calculate values in use:

- Forecasted operating margin.
- Growth rate for extrapolating cash flows beyond the forecasted period.
- Discount rate after tax used for estimated future cash flows.

Management has determined the forecasted operating margin based on previous results and expectations of future market development. A growth rate of 3 percent (3) has been used for all CGUs to extrapolate cash flows beyond the forecasted period. This growth rate is considered to be a conservative estimate. Further, an average discount rate in local currency after tax has been used in the calculations. The difference in value compared with using a discount rate before tax is not deemed to be material. The discount rate has been determined by calculating the weighted average cost of capital (WACC) for each division.

Note 14 continued

2021

Overall, the discount rate after tax used varied between 8.0 and 9.0 percent (EMEIA 8.0 percent, Americas 8.0 percent, Asia Pacific 9.0 percent, Global Technologies 8.0 percent and Entrance Systems 8.0 percent).

Goodwill and intangible assets with an indefinite useful life were allocated to the Cash Generating Units as summarized in the following table:

2021, SEK M	EMEIA	Americas	Asia Pacific	Global Technologies	Entrance Systems	Total
Goodwill	10,949	11,700	4,028	16,164	19,662	62,502
Intangible assets with indefinite useful life	141	793	842	880	5,173	7,830
Total	**11,090**	**12,494**	**4,870**	**17,044**	**24,835**	**70,332**

2020

Overall, the discount rate after tax used varied between 8.0 and 9.0 percent (EMEIA 8.0 percent, Americas 8.0 percent, Asia Pacific 9.0 percent, Global Technologies 8.0 percent and Entrance Systems 8.0 percent).

Goodwill and intangible assets with an indefinite useful life were allocated to the Cash Generating Units as summarized in the following table:

2020, SEK M	EMEIA	Americas	Asia Pacific	Global Technologies	Entrance Systems	Total
Goodwill	10,475	10,444	3,884	14,881	18,660	58,344
Intangible assets with indefinite useful life	136	718	788	811	5,015	7,467
Total	**10,610**	**11,162**	**4,672**	**15,692**	**23,675**	**65,811**

Sensitivity analysis

A sensitivity analysis has been carried out for each Cash Generating Unit. The results of this analysis are summarized below.

2021

If the estimated operating margin after the end of the forecasted period had been one percentage point lower than the management's estimate, the total recoverable amount would be 5 percent lower (EMEIA 5 percent, Americas 4 percent, Asia Pacific 8 percent, Global Technologies 4 percent, and Entrance Systems 5 percent).

If the estimated growth rate used to extrapolate cash flows beyond the forecasted period had been one percentage point lower than the basic assumption of 3 percent, the total recoverable amount would be 13 percent lower (EMEIA 13 percent, Americas 13 percent, Asia Pacific 11 percent, Global Technologies 13 percent, and Entrance Systems 13 percent).

If the estimated weighted capital cost used for the Group's discounted cash flows had been one percentage point higher than the basic assumption of 8.0 to 9.0 percent, the total recoverable amount would be 17 percent lower (EMEIA 17 percent, Americas 17 percent, Asia Pacific 16 percent, Global Technologies 17 percent, and Entrance Systems 17 percent).

These calculations are hypothetical and should not be viewed as an indication that these factors are any more or less likely to change. The sensitivity analysis should therefore be interpreted with caution.

None of the hypothetical cases above would lead to an impairment of goodwill in an individual Cash Generating Unit.

2020

If the estimated operating margin after the end of the forecasted period had been one percentage point lower than the management's estimate, the total recoverable amount would be 5 percent lower (EMEIA 5 percent, Americas 4 percent, Asia Pacific 8 percent, Global Technologies 4 percent, and Entrance Systems 5 percent).

If the estimated growth rate used to extrapolate cash flows beyond the forecasted period had been one percentage point lower than the basic assumption of 3 percent, the total recoverable amount would be 13 percent lower (EMEIA 13 percent, Americas 13 percent, Asia Pacific 10 percent, Global Technologies 13 percent, and Entrance Systems 13 percent).

If the estimated weighted capital cost used for the Group's discounted cash flows had been one percentage point higher than the basic assumption of 8.0 to 9.0 percent, the total recoverable amount would be 17 percent lower (EMEIA 17 percent, Americas 17 percent, Asia Pacific 15 percent, Global Technologies 17 percent, and Entrance Systems 17 percent).

These calculations are hypothetical and should not be viewed as an indication that these factors are any more or less likely to change. The sensitivity analysis should therefore be interpreted with caution.

None of the hypothetical cases above would lead to an impairment of goodwill in an individual Cash Generating Unit.

NOTE 15 Property, plant and equipment

2021, SEK M	Group: Buildings	Land and land improvements	Machinery	Equipment	Construction in progress	Total	Parent company: Equipment
Opening accumulated acquisition cost	**6,150**	**1,139**	**10,153**	**4,511**	**616**	**22,569**	**127**
Purchases	75	65	229	279	836	1,485	4
Acquisitions of subsidiaries	35	13	43	12	2	105	–
Divestments of subsidiaries	–	–	–28	–121	–	–149	–
Sales and disposals	–52	–11	–479	–159	–8	–708	–
Reclassifications	77	49	297	121	–560	–16	–
Exchange rate differences	463	73	886	349	48	1,819	–
Closing accumulated acquisition cost	**6,747**	**1,329**	**11,101**	**4,992**	**935**	**25,103**	**130**
Opening accumulated depreciation and impairment	**–3,448**	**–138**	**–7,582**	**–3,375**	**–**	**–14,541**	**–77**
Divestments of subsidiaries	0	–	27	105	–	132	–
Sales and disposals	46	0	454	130	–	630	–
Depreciation, amortization and impairment	–236	–10	–609	–436	–	–1,292	–14
Impairment recognized in restructuring reserve	–16	–4	11	–3	–	–12	–
Reclassifications	–1	–	6	–5	–	–	–
Exchange rate differences	–264	–9	–703	–289	–	–1,265	–
Closing accumulated depreciation and impairment	**–3,920**	**–162**	**–8,395**	**–3,873**	**–**	**–16,350**	**–90**
Carrying amount	**2,828**	**1,166**	**2,706**	**1,118**	**935**	**8,753**	**40**

2020, SEK M	Group: Buildings	Land and land improvements	Machinery	Equipment	Construction in progress	Total	Parent company: Equipment
Opening accumulated acquisition cost	**6,301**	**1,215**	**11,226**	**4,203**	**692**	**23,635**	**85**
Purchases	76	1	296	338	706	1,417	42
Acquisitions of subsidiaries	274	60	80	246	3	664	–
Divestments of subsidiaries	–343	–19	–290	–82	–8	–742	–
Sales and disposals	–104	–49	–393	–314	–36	–895	–
Reclassifications	157	22	248	246	–681	–9	–
Exchange rate differences	–212	–91	–1,014	–126	–60	–1,502	–
Closing accumulated acquisition cost	**6,150**	**1,139**	**10,153**	**4,511**	**616**	**22,569**	**127**
Opening accumulated depreciation and impairment	**–3,321**	**–150**	**–8,395**	**–3,272**	**–**	**–15,137**	**–65**
Divestments of subsidiaries	112	–	248	73	–	433	–
Sales and disposals	48	14	377	297	–	736	–
Depreciation and amortization	–221	–9	–617	–420	–	–1,268	–12
Impairment incl. reversals	–74	–	–40	–4	–	–118	–
Reclassifications	–6	–1	96	–87	–	2	–
Exchange rate differences	13	9	749	38	–	810	–
Closing accumulated depreciation and impairment	**–3,448**	**–138**	**–7,582**	**–3,375**	**–**	**–14,541**	**–77**
Carrying amount	**2,703**	**1,001**	**2,572**	**1,135**	**616**	**8,026**	**50**

NOTE 16 Right-of-use assets

The following amounts regarding right-of-use assets are recognized in the balance sheet.

SEK M	Group: 2020	2021
Buildings	2,763	2,720
Machinery	22	17
Vehicles	676	614
Other equipment	52	85
Total	**3,513**	**3,436**

Additions to right-of-use assets for 2021 amounted to SEK 1,225 M (1,164).

The following amounts related to leases are recognized in the income statement:

SEK M	Group: 2020	2021
Amortization attributable to right-of-use assets:		
Buildings	–912	–887
Machinery	–11	–10
Vehicles	–354	–334
Other equipment	–31	–34
Operating expenses attributable to:		
Short-term leases	–62	–53
Leases of low-value assets	–14	–12
Variable lease payments are not included in lease liabilities	–18	–21
Interest expenses relating to:		
Lease liabilities	–85	–72
Total	**–1,486**	**–1,423**

The total cash flow attributable to leases in 2021 was SEK 1,314 M (1,360).

NOTE 17 Shares in subsidiaries

Company name	Corporate identity number, Registered office	Parent company Number of shares	Share of equity, %	Carrying amount, SEK M
ASSA Sverige AB	556061-8455, Eskilstuna	70	100	197
ASSA ABLOY Entrance Systems AB	556204-8511, Landskrona	1,000	100	287
ASSA ABLOY Global Solutions AB	556666-0618, Stockholm	1,306,891	100	475
ASSA ABLOY Kredit AB	556047-9148, Stockholm	400	100	6,036
ASSA ABLOY Holding AB	559180-8646, Stockholm	6,500	100	6,279
ASSA ABLOY Försäkrings AB	516406-0740, Stockholm	60,000	100	185
ASSA ABLOY Asia Holding AB	556602-4500, Stockholm	1,000	100	189
ASSA ABLOY OY	1094741-7, Joensuu	800,000	100	4,257
ASSA ABLOY Norge A/S	979207476, Moss	150,000	100	538
ASSA ABLOY Danmark A/S	CVR 10050316, Herlev	60,500	100	376
ASSA ABLOY Deutschland GmbH	HR B 66227, Berlin	1	100	1,086
ASSA ABLOY Nederland Holding B.V.	52153924, Raamsdonksveer	180	100	771
ASSA ABLOY France SAS	412140907, R.C.S. Versailles	15,184,271	100	1,964
HID Global Switzerland S.A.	CH-232-0730018-2, Granges	2,500	100	47
ASSA ABLOY Entrance Systems Austria GmbH	A-2320 Schwechat	1	100	109
ASSA ABLOY Ltd	2096505, Willenhall	1,330,000	100	3,091
HID Global Ireland Teoranta	364896, Galway	501,000	100	293
Mul-T-Lock Ltd	520036583, Yavne	13,787,856	100	901
ASSA ABLOY Holdings (SA) Ltd	1948/030356/06, Roodepoort	100,220	100	217
ASSA ABLOY Inc	039347-83, Oregon	100	100	3,627
ABLOY Canada Inc.	1148165260, Montreal	1	100	0
ASSA ABLOY of Canada Ltd	104722749 RC0003, Ontario	9,621	100	138
ASSA ABLOY Australia Pacific Pty Ltd	ACN 095354582, Oakleigh, Victoria	48,190,000	100	844
Cerramex, S.A de C.V	CER8805099Y6, Mexico	4	0[1]	0
ASSA ABLOY Mexico, S.A de CV	AAM961204CI1, Mexico	50,108,549	100	762
Cerraduras y Candados Phillips S.A de C.V	CCP910506LK2, Mexico	112	0[1]	0
ASSA ABLOY Colombia S.A.S	860009826-8, Bogota	3,115,080	100	203
WHAIG Limited	EC21330, Bermuda	100,100	100	303
ASSA ABLOY Asia Pacific Ltd	53451, Hong Kong	1,000,000	100	72
ASSA ABLOY Entrance Systems IDDS AB	556071-8149, Landskrona	25,000,000	100	5,323
ASSA ABLOY Portugal, Unipessoal, Lda (Portugal)	PT500243700, Alfragide	1	100	0
ASSA ABLOY Holding Italia S.p.A.	IT01254420597, Rome	650 000	100	974
HID SA (Argentina)	CUIT 30-61783980-2, Buenos Aires	2,400	2[1]	0
HID Global SAS	FR21341213411, Nanterre	1,000,000	100	679
ASSA ABLOY East Africa Ltd	C.20402, Nairobi	13,500	100	90
Omni-ID Ltd	6163600, Bristol	2,200,000	100	26
Total				**40,339**

[1] The Group's holdings amount to 100 percent.

NOTE 18 Investments in associates

Company name	Country of registration	Group Number of shares	Share of equity 2020, %	Share of equity 2021, %	Carrying amount 2020, SEK M	Carrying amount 2021, SEK M
Goal Co., Ltd	Japan	2,778,790	46	46	589	602
PT Jasuindo Arjo Wiggins Security	Indonesia	1,533,412	49	49	28	32
SARA Loading Bay Ltd	United Kingdom	4,990	50	50	15	12
Saudi Crawford Doors Ltd	Saudi Arabia	800	40	40	5	5
Others					1	1
Total					**637**	**652**

NOTE 19 Deferred tax

	Group	
SEK M	**2020**	**2021**
Deferred tax assets		
Non-current assets	70	611
Pension provisions	470	345
Tax loss carryforwards etc.	174	118
Other deferred tax assets	766	786
Offset deferred tax assets	–142	–597
Deferred tax assets	**1,338**	**1,264**
Deferred tax liabilities		
Non-current assets	2,386	2,452
Pension provisions	56	6
Other deferred tax liabilities	568	720
Offset deferred tax liabilities	–142	–597
Deferred tax liabilities	**2,868**	**2,581**
Deferred tax assets, net	**–1,531**	**–1,317**

Change in deferred tax

	Group	
SEK M	**2020**	**2021**
Opening balance	**–1,163**	**–1,531**
Acquisitions and divestments	–546	–38
Recognized in income statement	18	541
Actuarial gain/loss on post-employment benefit obligation	56	–211
Exchange rate differences	104	–78
Closing balance	**–1,531**	**–1,317**

The Group's total tax loss carryforwards amount to SEK 5,728 M, of which SEK 5,154 M (4,545) are tax loss carryforwards for which deferred tax assets have not been measured, as it is uncertain that future taxable profit will be available against which the tax loss carryforwards can be utilised. Of the total tax loss carryforwards and other tax credits, SEK 2,649 M is due within five years, while SEK 3,079 M has no due date.

NOTE 20 Other financial assets

	Group		Parent company	
SEK M	**2020**	**2021**	**2020**	**2021**
Investments in associates	–	–	461	461
Other shares and interests	6	52	–	–
Non-current interest-bearing receivables	159	170	–	–
Other non-current receivables	47	46	131	99
Total	**212**	**267**	**592**	**561**

NOTE 21 Inventories

	Group	
SEK M	**2020**	**2021**
Materials and supplies	3,057	4,729
Work in progress	2,164	2,789
Finished goods	4,790	6,264
Advances paid	68	151
Total	**10,079**	**13,933**

Impairment of inventories during the year amounted to SEK 333 M (474).

NOTE 22 Trade receivables

	Group	
SEK M	**2020**	**2021**
Trade receivables	14,990	17,382
Loss allowance	–1,325	–1,537
Total	**13,665**	**15,844**

Trade receivables by currency

	Group	
SEK M	**2020**	**2021**
USD	4,496	6,244
EUR	3,457	3,646
CNY	1,184	1,210
GBP	766	757
SEK	613	661
AUD	430	509
CAD	338	377
KRW	274	230
Other currencies	2,107	2,210
Total	**13,665**	**15,844**

Maturity analysis

	Group	
SEK M	**2020**	**2021**
Current trade receivables	10,475	12,220
Trade receivables due:		
<3 months	2,908	3,306
3–12 months	922	1,114
>12 months	685	741
	4,515	**5,161**
Impaired trade receivables:		
Not yet due	–272	–308
Trade receivables due:		
<3 months	–155	–188
3–12 months	–226	–270
>12 months	–671	–771
	–1,325	**–1,537**
Total	**13,665**	**15,844**

Change in loss allowance for trade receivables

	Group	
SEK M	**2020**	**2021**
Opening balance	**898**	**1,325**
Acquisitions and divestments of subsidiaries	123	–37
Actual losses	–174	–293
Reversal of unused amounts	–49	–70
Provision for bad debts	646	495
Exchange rate differences	–119	118
Closing balance	**1,325**	**1,537**

NOTE 23 Parent company's equity and proposed distribution of earnings

The Parent company's equity is split between restricted and non-restricted equity. Restricted equity consists of share capital, revaluation reserve, statutory reserve and the fund for development expenses. The statutory reserve contains premiums (amounts received from share issues that exceed the nominal value of the shares) relating to shares issued up to 2005. Non-restricted equity consists of share premium reserves, retained earnings and net income for the year.

At the disposal of the Annual General Meeting is SEK 18,802,824,328. The Board of Directors proposes that a dividend of SEK 4.20 per share, a total of SEK 4,665,260,603, be distributed to the shareholders and that the remainder, SEK 14,137,563,725, be carried forward to the new financial year.

NOTE 24 Share capital, number of shares and dividend per share

	Number of shares, thousands			
	Series A shares	Series B shares	Total	Share capital, SEK K
Opening balance at 1 January 2020	57,525	1,055,052	1,112,576	370,859
Closing balance at 31 December 2020	**57,525**	**1,055,052**	**1,112,576**	**370,859**
Number of votes, thousands	575,259	1,055,052	1,630,311	
Opening balance at 1 January 2021	57,525	1,055,052	1,112,576	370,859
Closing balance at 31 December 2021	**57,525**	**1,055,052**	**1,112,576**	**370,859**
Number of votes, thousands	575,259	1,055,052	1,630,311	

All shares have a par value of around SEK 0.33 (0.33) and give shareholders equal rights to the company's assets and earnings. All shares are entitled to dividends subsequently determined. Each Series A share carries ten votes and each Series B share one vote. All issued shares are fully paid.

The weighted average number of shares was 1,110,776 (1,110,776) during the year. None of the Group's outstanding long-term incentive programs are expected to result in significant dilution in the future. The total number of treasury shares at 31 December 2021 amounted to 1,800,000. No shares have been repurchased during the year.

The dividend paid during the financial year totaled SEK 4,332 M (4,276), equivalent to SEK 3.90 (3.85) per share.

NOTE 25 Post-employment employee benefits

Post-employment employee benefits include pensions and medical benefits. Pension plans are classified as either defined benefit plans or defined contribution plans. Pension obligations in the balance sheet mainly relate to defined benefit plans. ASSA ABLOY has defined benefit pension plans in a number of countries. The most comprehensive defined benefit plans are found in the US, the UK and Germany.

The defined benefit plans in the US and the UK are secured by assets in pension funds, while the plans in Germany are chiefly unfunded. In the US, there are also unfunded plans for post-employment medical benefits.

The operations of pension funds are regulated by national regulations and practice. The responsibility for monitoring the pension plans and their assets rests mainly with the boards of the pension funds, but can also rest more directly with the company. The Group has an overall policy for the limits within which asset allocation should be made. Each pension fund adjusts its local asset allocation according to the nature of the local pension obligation, particularly the remaining term and the breakdown between active members and pensioners. The Group has not changed the processes used for managing these risks compared with previous periods.

The investments are well diversified so that depreciation of an individual investment should not have any material impact on the plan assets. The majority of assets are invested in shares as the Group considers that shares produce the best long-term return at an acceptable risk level. The total allocation to shares should not, however, exceed 60 percent of total assets. Fixed income assets are invested in a combination of ordinary government bonds and corporate bonds but also in inflation-indexed bonds. The average term of these is normally somewhat shorter than the term of the underlying liability. Bonds should not account for less than 30 percent of assets. A small proportion of assets is also invested in real estate and alternative investments, mainly hedge funds.

At 31 December 2021, shares accounted for 45 percent (44) and fixed income securities for 28 percent (29) of plan assets, while other assets accounted for 27 percent (27). The actual return on plan assets in 2021 was SEK 618 M (345).

Amounts recognized in the income statement

Pension costs, SEK M	2020	2021
Defined contribution pension plans	877	758
Defined benefit pension plans	188	185
Post-employment medical benefit plans	25	21
Total	**1,091**	**964**
of which, included in:		
Operating income	1,030	911
Net financial items	61	53

Amounts recognized in the balance sheet

Pension provisions, SEK M	2020	2021
Provisions for defined benefit pension plans	2,925	2,121
Provisions for post-employment medical benefit plans	586	606
Provisions for defined contribution pension plans	3	9
Total	**3,514**	**2,736**

Pensions with Alecta

Commitments for old-age pensions and family pensions for salaried employees in Sweden are secured in part through insurance with Alecta. According to UFR 10, this is a defined benefit plan that covers many employers. For the 2021 financial year, the company has not had access to information making it possible to report this plan as a defined benefit plan. Pension plans in accordance with ITP secured through insurance with Alecta are therefore reported as defined contribution plans. The year's pension contributions that are contracted to Alecta total SEK 25 M (29), of which SEK 11 M (13) relates to the Parent company. Pension contributions are expected to remain largely unchanged in 2022.

Alecta's surplus can be distributed to policyholders and/or the insured. At 31 December 2021, Alecta's surplus expressed as the collective consolidation level amounted preliminarily to 172 percent (148 percent at 31 December 2020). The collective consolidation level consists of the market value of Alecta's assets as a percentage of its insurance commitments calculated according to Alecta's actuarial calculation assumptions, which do not comply with IAS 19. The collective consolidation level is normally allowed to vary between 125 and 175 percent. If the consolidation level deviates from this range, measures in the form of an adjustment of the premium level should be taken to return to the normal range.

Specification of defined benefit pension plans, post-employment medical benefits and plan assets by country

	United Kingdom		Germany		US		Other countries		Total	
Specification of defined benefits, SEK M	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**
Present value of funded obligations	3,206	3,332	99	92	2,095	2,170	2,055	1,974	7,455	7,568
Fair value of plan assets	–2,796	–3,317	–21	–21	–1,842	–2,225	–1,376	–1,418	–6,035	–6,981
Net value of funded plans	**410**	**16**	**78**	**71**	**254**	**–56**	**679**	**556**	**1,420**	**587**
Present value of unfunded obligations	–	–	779	745	–	–	726	789	1,506	1,533
Present value of unfunded medical benefits	–	–	–	–	582	603	3	4	586	606
Net value of defined benefit pension plans	**410**	**16**	**857**	**816**	**836**	**547**	**1,408**	**1,348**	**3,511**	**2,727**
Provisions for defined contribution pension plans	–	–	–	–	–	4	3	5	3	9
Total	**410**	**16**	**857**	**816**	**836**	**551**	**1,412**	**1,353**	**3,514**	**2,736**

Key actuarial assumptions

	United Kingdom		Germany		US	
Key actuarial assumptions (weighted average), %	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**
Discount rate	1.4	1.8	0.9	1.2	2.5	2.8
Expected annual salary increases	n/a	n/a	2.8	2.8	n/a	n/a
Expected annual pension increases	1.9	2.1	1.5	1.5	n/a	n/a
Expected annual medical benefit increases	n/a	n/a	n/a	n/a	5.8	5.8
Expected annual inflation	2.2	2.7	1.5	1.5	3.0	3.0

Note 25 continued

Movement in obligations

2021, SEK M	Post-employment medical benefits	Defined benefit pension plans	Plan assets	Total
Opening balance 1 January 2021	**586**	**8,960**	**–6,035**	**3,511**
Acquisitions and divestments	–	2	–	2
Recognized in the income statement:				
Current service cost	6	152	–	158
Past service cost	–	–5	–	–5
Interest expense/income	15	131	–93	53
Total recognized in the income statement	**21**	**278**	**–93**	**206**
Recognized in other comprehensive income:				
Return on plan assets, excluding amounts included above	–	–	–525	–525
Gain/loss from change in demographic assumptions	–	–107	–	–107
Gain/loss from change in financial assumptions	–33	–175	–	–208
Experience-based gains/losses	0	–77	–	–77
Actuarial gain/loss on post-employment benefit obligations	**–33**	**–359**	**–525**	**–917**
Exchange rate differences	59	654	–577	136
Total recognized in other comprehensive income	**26**	**294**	**–1,101**	**–781**
Contributions and payments:				
Employer contributions	–	–	–108	–108
Employee contributions	–	57	–57	–
Payments	–27	–490	413	–104
Total payments	**–27**	**–433**	**249**	**–211**
Closing balance 31 December 2021	**606**	**9,102**	**–6,981**	**2,727**

2020, SEK M	Post-employment medical benefits	Defined benefit pension plans	Plan assets	Total
Opening balance 1 January 2020	**615**	**8,901**	**–6,184**	**3,332**
Acquisitions and divestments	–	411	–271	140
Recognized in the income statement:				
Current service cost	6	139	–	145
Past service cost	–	7	–	7
Interest expense/income	19	167	–125	61
Total recognized in the income statement	**25**	**313**	**–125**	**213**
Recognized in other comprehensive income:				
Return on plan assets, excluding amounts included above	–	–	–220	–220
Gain/loss from change in demographic assumptions	53	245	–	298
Gain/loss from change in financial assumptions	–	295	–	295
Experience-based gains/losses	–	–54	–	–54
Actuarial gain/loss on post-employment benefit obligations	**53**	**486**	**–220**	**319**
Exchange rate differences	–81	–743	604	–219
Total recognized in other comprehensive income	**–27**	**–257**	**384**	**99**
Contributions and payments:				
Employer contributions	–	–	–178	–178
Employee contributions	–	32	–32	–
Payments	–27	–439	369	–96
Total payments	**–27**	**–407**	**160**	**–274**
Closing balance 31 December 2020	**586**	**8,960**	**–6,035**	**3,511**

Plan assets allocation

Plan assets	2020	2021
Publicly traded shares	2,630	3,169
Government bonds	666	762
Corporate bonds	892	1,017
Inflation-linked bonds	176	168
Property	325	444
Cash and cash equivalents	55	82
Alternative investments	50	51
Insurance contracts and other assets	1,242	1,286
Total	**6,035**	**6,981**

Sensitivity analysis of defined benefit obligations and post-employment medical benefits

The effect on defined benefit obligations and post-employment medical benefits of a 0.5 percentage change in some actuarial assumptions, change in percent	+0.5%	–0.5%
Discount rate	–7.6%	8.3%
Expected annual medical benefit increases	4.2%	–3.5%

NOTE 26 Other provisions

	Group		
SEK M	Restruc-turing reserve	Other	Total
Opening balance at 1 January 2021	**1,224**	**551**	**1,775**
Provisions for the year	–	68	68
Acquisitions of subsidiaries	–	21	21
Divestments of subsidiaries	–2	–	–2
Reversal of non-utilized amounts	–	–5	–5
Payments	–563	–57	–620
Utilized during the year, without cash flow impact	–44	–	–44
Exchange rate differences	44	17	61
Closing balance at 31 December 2021	**658**	**595**	**1,254**

	Group		
SEK M	Restruc-turing reserve	Other	Total
Opening balance at 1 January 2020	**778**	**573**	**1,351**
Provisions for the year	1,366	175	1,542
Acquisitions of subsidiaries	–	19	19
Reversal of non-utilized amounts	–	–138	–138
Payments	–747	–74	–822
Utilized during the year, without cash flow impact	–105	–	–105
Exchange rate differences	–68	–4	–72
Closing balance at 31 December 2020	**1,224**	**551**	**1,775**

	Group	
Balance sheet breakdown:	**2020**	**2021**
Other non-current provisions	616	460
Other current provisions	1,159	794
Total	**1,775**	**1,254**

The restructuring reserve at year-end relates mainly to the ongoing restructuring program launched during the year and the previous year. The restructuring reserve is expected to be used over the next two years. The non-current part of the reserve totaled SEK 58 M. For further information on the restructuring programs, see the Report of the Board of Directors.

Other provisions mainly relate to legal obligations including future environment-related measures.

NOTE 27 Other current liabilities

	Group	
SEK M	2020	2021
VAT and excise duties	653	704
Employee withholding tax	143	130
Advances received	1,224	1,492
Social security contributions and other taxes	110	92
Current deferred considerations	781	346
Other current liabilities	970	1,076
Total	**3,880**	**3,840**

NOTE 28 Accrued expenses and deferred income

	Group		Parent company	
SEK M	2020	2021	2020	2021
Personnel-related expenses	3,407	3,819	252	273
Customer-related expenses	1,236	1,772	–	–
Deferred income	565	703	–	–
Accrued interest expenses	126	111	83	82
Other	2,353	2,640	90	56
Total	**7,687**	**9,045**	**425**	**411**

NOTE 29 Assets pledged against liabilities to credit institutions

	Group		Parent company	
SEK M	2020	2021	2020	2021
Real estate mortgages	–	12	–	–
Other mortgages and collateral	137	94	–	–
Total	**137**	**106**	**–**	**–**

NOTE 30 Contingent liabilities

	Group		Parent company	
SEK M	2020	2021	2020	2021
Guarantees on behalf of subsidiaries	–	–	9,190	9,485
Other guarantees and contingent liabilities	139	223	–	–
Total	**139**	**223**	**9,190**	**9,485**

In addition to the guarantees shown in the table above, the Group has a large number of minor bank guarantees for performance of obligations in operating activities. No material liabilities are expected as a result of these guarantees.

	Group	
Maturity profile – guarantees, SEK M	**2020**	**2021**
<1 year	123	204
>1 <2 years	7	11
>2 <5 years	4	3
>5 years	5	4
Total	**139**	**223**

NOTE 31 Cash flow items

	Group	
SEK M	2020	2021
Adjustments for non-cash items		
Profit/loss on sales of non-current assets	–3	–15
Profit/loss on sales of subsidiaries	46	190
Change in pension provisions	152	153
Share of earnings in associates	–257	–19
Dividend from associates	40	5
Remeasurement of deferred considerations	–203	–184
Other	131	49
Adjustments for non-cash items	**–95**	**178**
Change in working capital		
Inventories increase/decrease (–/+)	687	–2,943
Trade receivables increase/decrease (–/+)	1,331	–1,289
Trade payables increase/decrease (+/–)	–370	1,959
Other working capital increase/decrease (–/+)	958	778
Change in working capital	**2,606**	**–1,496**
Divestments of subsidiaries		
Purchase prices received, net	1,206	720
Cash and cash equivalents in divested subsidiaries	–37	–21
Change in consolidated cash and cash equivalents due to divestments	**1,170**	**699**

NOTE 32 Reserves

SEK M	Hedging reserve: Net investment hedges	Hedging reserve: Cash flow hedges	Exchange rate differences	Total
Opening balance 1 January 2020	**–247**	**–**	**6,975**	**6,728**
Other comprehensive income in associates	–	–	–70	–70
Reclassified to profit or loss	–5	–	–313	–318
Net investment hedges	–3	–	–	–3
Cash flow hedges	–	0	–	0
Exchange rate differences	–	–	–4,559	–4,559
Tax attributable to reserves	1	–	16	16
Closing balance 31 December 2020	**–255**	**0**	**2,049**	**1,794**
Opening balance 1 January 2021	**–255**	**0**	**2,049**	**1,794**
Other comprehensive income in associates	–	–	–6	–6
Cash flow hedges	–	5	–	5
Exchange rate differences	–	0	3,467	3,467
Tax attributable to reserves	–	–	–23	–23
Closing balance 31 December 2021	–255	**5**	**5,487**	**5,237**

Of the item Net investment hedges, the entire amount relates to closed hedge relationships for which hedged objects remain.

NOTE 33 Business combinations

Consolidated acquisitions, 2021

Company acquired (country)	Division	Number of employees	2020 sales (SEK M)	Consolidation month
Traka Iberia (ES)	Global Technolog.	<50	<50	Feb
Technology Solutions (UK)	Global Technolog.	25	30	Feb
Invengo Textile Services (FR)	Global Technolog.	45	110	Mar
Prosystech/SimpleK (CA)	Americas	<50	<50	Apr
Sure-Loc (US)	Americas	45	120	May
Pucon (PE)	Americas	<50	<50	Jun
New Zealand Fire Door (NZ)	Asia Pacific	53	66	Aug
Capitol Door Service (US)	Entrance Systems	50	150	Aug
Omni-ID (US)	Global Technolog.	170	110	Aug
MR Group (PT)	EMEIA	380	230	Oct
B&B Roadway and Security Sol. (US)	Entrance Systems	60	120	Dec
Malkowski-Martech (PL)	EMEIA	150	110	Dec
InvoTech Systems (US)	Global Technolog.	<50	<50	Dec

See below for an account of some of the major acquisitions completed in 2021 and 2020. See the Report of the Board of Directors for further information about acquisitions.

2021

MR Group

MR Group's hardware division, a leading supplier of aluminium profile hardware and locks in Portugal, was acquired in October 2021. The company is headquartered in Águeda, Portugal.

On the reporting date the acquisition analysis is preliminary with respect to valuation of intangible assets.

B&B Roadway and Security Solutions

US company B&B Roadway and Security Solutions, a manufacturer of road safety, traffic control and perimeter security solutions, was acquired in December 2021. The company is headquartered in Texas, US.

On the reporting date the acquisition analysis is preliminary with respect to valuation of intangible assets.

2020

agta record

On 20 August 2020 ASSA ABLOY, previously a 39% shareholder in the Swiss company agta record, announced that it had completed the indirect acquisition of the 54% shareholding in agta record from the shareholders of Agta Finance. agta record is a well-established manufacturer and service organization for entrance automation. It is headquartered in Fehraltorf, Switzerland.

ASSA ABLOY then launched a public offer for the acquisition of all remaining outstanding shares in agta record at a price of EUR 70.58 per share. As at 31 December 2020 ASSA ABLOY owns 99.7% of agta record.

agta record was fully consolidated into ASSA ABLOY on 31 August 2020. Intangible assets in the form of technology, brands and customer relationships have been disclosed in the purchase price allocation. Residual goodwill mainly relates to synergies and other intangible assets that do not meet the criteria for separate reporting.

AM Group

On 28 February 2020 ASSA ABLOY acquired 100 percent of the share capital in AM Group, an Australian industrial door company within entrance automation.

The acquisition of AM Group complements the product offering and geographic coverage in Australia. AM Group has its headquarters in Sydney, Australia.

Intangible assets in the form of technology, brands and customer relationships have been disclosed in the purchase price allocation. Residual goodwill mainly relates to synergies and other intangible assets that do not meet the criteria for separate reporting.

Other acquisitions

Other noteworthy acquisitions in 2020 were Biosite (UK) and Access-IS (UK).

SEK M	2020	2021
Purchase prices		
Cash paid for acquisitions during the year	8,058	1,743
Holdbacks and conditional considerations for acquisitions during the year	318	150
Fair value previously owned shares in associates	3,752	–
Adjustment of purchase prices for acquisitions in prior years	5	–6
Total	**12,134**	**1,887**
Acquired assets and liabilities at fair value		
Intangible assets	3,281	151
Property, plant and equipment	664	105
Right-of-use assets	265	13
Deferred tax assets	132	3
Other financial assets	4	1
Inventories	646	233
Current receivables and investments	1,062	332
Cash and cash equivalents	2,239	180
Deferred tax liabilities	–706	–17
Pension provisions	–189	–2
Other non-current liabilities	–462	–23
Current liabilities	–1,223	–363
Total	**5,713**	**611**
Goodwill	**6,421**	**1,276**
Cash paid for acquisitions during the year	8,058	1,743
Cash and cash equivalents in acquired subsidiaries	–2,239	–180
Consideration paid relating to acquisitions from previous year	418	557
Change in cash and cash equivalents due to acquisitions	**6,238**	**2,121**
Net sales from acquisition date	2,091	445
EBIT from acquisition date	175	–13
Net income from acquisition date	138	–9

The table above includes fair value adjustments of acquired net assets from acquisitions made in previous years.

Purchase price allocations have been prepared for all acquisitions in 2021. The net sales of acquired units for 2021 totaled SEK 1,182 M (4,801) and net income amounted to SEK 72 M (453). Acquisition-related costs for 2021 totaled SEK 207 M (233) and have been reported as other operating expenses in the income statement.

NOTE 34 Employees

Salaries, wages, other remuneration and social security costs

	Group		Parent company	
SEK M	2020	2021	2020	2021
Salaries, wages and other remuneration	21,462	21,699	295	285
Social security costs	5,708	6,222	158	176
– of which pensions	1,029	911	51	44
Total	**27,170**	**27,921**	**454**	**460**

Remuneration and other benefits of the Executive Team in 2021, SEK thousands

Name	Fixed salary	Variable salary	Stock-related benefits	Other benefits	Pension costs
Nico Delvaux, President and CEO	19,338	14,250	9,301	152	6,747
Other members of the Executive Team (10 positions)	52,713	19,324	8,705	3,728	8,730
Total remuneration and benefits	**72,051**	**33,574**	**18,007**	**3,880**	**15,477**

Total remuneration and other benefits of the Executive Team amounted to SEK 102.6 M in 2020.

Fees to Board members in 2021 (including committee work), SEK thousand

Name and post	Board of Directors	Remuneration Committee	Audit Committee	Total
Lars Renström, Chairman	2,700	150	325	3,175
Carl Douglas, Vice Chairman	1,000	–	–	1,000
Johan Hjertonsson, Board member	800	75	225	1,100
Eva Karlsson, Board member	800	–	–	800
Lena Olving, Board member	800	–	225	1,025
Susanne Pahlén Åklundh, Board member	800	–	–	800
Sofia Schörling Högberg, Board member	800	–	–	800
Joakim Weidemanis, Board member	800	–	–	800
Employee representatives (4)	–	–	–	–
Total	**8,500**	**225**	**775**	**9,500**

Total fees to Board members amounted to SEK 8.3 M in 2020.

Salaries and remuneration for the Board of Directors and the Parent company's Executive Team

Salaries and other remuneration for the Board of Directors and the Parent company's Executive Team for 2021 totaled SEK 66 M (49), excluding pension costs and social security costs. Pension costs amounted to SEK 9 M (10). Pension obligations for several senior executives are secured through pledged endowment insurances.

Guidelines for remuneration to senior executives

Scope

The 2020 Annual General Meeting adopted the following guidelines for the remuneration and other employment conditions of the President and CEO and other members of the ASSA ABLOY Executive Team (the "Executive Team").

These guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the 2020 Annual General Meeting. These guidelines do not apply to any remuneration decided or approved by the General Meeting.

Employment conditions of a member of the Executive Team that is employed or resident outside Sweden, or that is not a Swedish citizen, may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Promotion of ASSA ABLOY's business strategy, long-term interests and sustainability

One of the strategies for value creation followed by ASSA ABLOY is Evolution through people. With the objective that ASSA ABLOY shall continue to be able to recruit and retain competent employees, the basic principle being that remuneration and other employment conditions shall be offered on market conditions and be competitive, taking into account both global remuneration practice and practice in the home country of each member of the Executive Team. These guidelines enable ASSA ABLOY to offer the Executive Team a total remuneration that is on market conditions and competitive. Prerequisites are thereby established for successful implementation of the Group's business strategy, which on an overall level is to lead the trend toward the world's most innovative and well-designed access solutions, as well as safeguarding ASSA ABLOY's long-term interests, including its sustainability. More information about ASSA ABLOY's business strategy and ASSA ABLOY's sustainability report is available on ASSA ABLOY's website assaabloy.com.

ASSA ABLOY has ongoing share-based long-term incentive programs in place that have been resolved by the General Meeting and which are therefore excluded from these guidelines. Future share-based long-term incentive programs proposed by the Board of Directors and submitted to the General Meeting for approval will be excluded for the same reason. The purpose of the share-based long-term incentive program is to strengthen ASSA ABLOY's ability to recruit and retain competent employees, to contribute to ASSA ABLOY providing a total remuneration that is on market conditions and competitive, and to align the interests of the shareholders with the interests of the employees concerned. Through a share-based long-term incentive program, the employees' remuneration is tied to ASSA ABLOY's future earnings and value growth. At present the performance criteria used is linked to earnings per share. The programs are further conditional upon the participant's own investment and holding period of several years. More information about these programs is available on ASSA ABLOY's website assaabloy.com.

Types of remuneration

The total yearly remuneration to the members of the Executive Team shall be on market conditions and be competitive and also reflect each member of the Executive Team's responsibility and performance. The total yearly remuneration shall consist of fixed base salary, variable cash remuneration, pension benefits and other benefits (which are specified below excluding social security costs). Additionally, the General Meeting may – and irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

The variable cash remuneration shall be linked to predetermined and measurable targets, which are further described below, and may amount to not more than 75 percent of the yearly base salary.

The members of the Executive Team shall be covered by defined contribution pension plans, for which pension premiums are based on each member's yearly base salary and are paid by ASSA ABLOY during the period of employment. The pension premiums shall amount to not more than 35 percent of the yearly base salary.

Other benefits, such as company car, life insurance, extra health insurance or occupational healthcare, should be payable to the extent this is considered to be in line with market conditions in the market concerned for each member of the Executive Team. Premiums and other costs relating to such benefits may totally amount to not more than 10 percent of the yearly base salary. Furthermore, housing allowance benefit may be added in line with ASSA ABLOY's policies and costs relating to such benefit may totally amount to not more than 25 percent of the yearly base salary. Premiums and other costs relating to other benefits and housing allowance benefit may, however, totally amount to not more than 30 percent of the yearly base salary.

Criteria for awarding variable cash remuneration

The variable cash remuneration shall be linked to predetermined and measurable financial targets, such as earnings per share (EPS), earnings before interest and taxes (EBIT), cash flow and organic growth and can also be linked to strategical and/or functional targets individually adjusted on the basis of responsibility and function. These targets shall be designed so as to contribute to ASSA ABLOY's business strategy and long-term interests, including its sustainability, by for example being linked to the business strategy or promoting the senior executive's long-term development within ASSA ABLOY.

The Remuneration Committee shall for the Board of Directors prepare, monitor and evaluate matters regarding variable cash remuneration to the Executive Team. Ahead of each yearly measurement period for the criteria for awarding variable cash remuneration, the Board of Directors shall, based on the work of the Remuneration Committee, establish which criteria are deemed to be relevant for the upcoming measurement period. To which extent the criteria for awarding variable cash remuneration has been satisfied shall be determined when the measurement period has ended. Evaluations regarding fulfillment of financial targets shall be based on determined financial basis for the relevant period.

Variable cash remuneration can be paid after the measurement period has ended or be subject to deferred payment. Paid variable cash remuneration can be claimed back when such right follows from general principles of law.

Duration of employment and termination of employment

The members of the Executive Team shall be employed until further notice. If notice of termination is made by ASSA ABLOY, the notice period may not exceed 12 months for the CEO and 6 months for the other members of the Executive Team. If the CEO is given notice, ASSA ABLOY is liable to pay, including severance pay and remuneration under the notice period, the equivalent of maximum 24 months' base salary and other employment benefits. If any other member of the Executive Team is given notice, ASSA ABLOY is liable to pay a maximum of 6 months' base salary and other employment benefits plus severance pay amounting to a maximum of an additional 12 months' base salary. If notice of termination is made by a member of the Executive Team, the notice period may not exceed 6 months, with no right to severance pay.

A member of the Executive Team may, for such time when the member is not entitled to severance pay, be compensated for non-compete undertakings. Such compensation shall amount to not more than 60 percent of the monthly base salary at the time of the

Note 34 continued

termination and shall only be paid as long as the non-compete undertaking is applicable, at longest a period of 12 months.

Remuneration and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, remuneration and employment conditions for employees of ASSA ABLOY have been taken into account by including information on the employees' total remuneration, the components of the remuneration and increase and growth rate over time in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines

The Remuneration Committee's tasks include preparing the Board of Directors' decision to propose guidelines for remuneration to the Executive Team. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the Annual General Meeting. The guidelines shall be in force until new guidelines are adopted by the General Meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration to the Executive Team, the application of the guidelines for remuneration to the Executive Team as well as the applicable remuneration structures and remuneration levels in ASSA ABLOY. The members of the Remuneration Committee are independent of the company and its management. The CEO and other members of the Executive Team do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Deviation from the guidelines

The Board of Directors may temporarily resolve to deviate from the guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve ASSA ABLOY's long-term interests, including its sustainability, or to ensure ASSA ABLOY's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters including decisions regarding departures from the guidelines

Transitional provisions applicable for the 2020 Annual General Meeting

The total expensed remuneration of the Executive Team, including previous commitments not yet due for payment is reported in the Annual Report 2019 in Note 34.

Long-term incentive programs

At the 2010 Annual General Meeting, it was decided to launch a long-term incentive program (LTI 2010) for senior executives and other key employees in the Group. The purpose was to create the prerequisites for retaining and recruiting qualified employees for the Group, to contribute to providing a total remuneration that is on market conditions and competitive and align the interests of the shareholders with the interests of the employees concerned.

At the 2011 to 2021 Annual General Meetings, it was decided to implement further long-term incentive programs for senior executives and other key employees in the Group. The incentive programs were named LTI 2011 to LTI 2021. LTI 2011 to LTI 2017 were based on similar terms to LTI 2010. LTI 2018 to LTI 2021 were based on similar principles as the earlier programs, but with an extended measurement period of three years for the performance-based condition and removal of matching shares.

For each Series B share acquired by the CEO within the framework of LTI 2019, LTI 2020 and LTI 2021, the company has awarded six performance-based share awards. For each Series B share acquired by other members of the Executive Team, the company has awarded five performance-based share awards. For other participants, the company has awarded four performance-based share awards.

In accordance with the terms of the three programs (LTI 2019–LTI 2021), employees have acquired a total of 362,659 Series B shares in ASSA ABLOY AB, of which 103,110 Series B shares were acquired in 2021 within the framework of LTI 2021.

Each performance-based share award for LTI 2019, LTI 2020 and LTI 2021 entitles the holder to receive one Series B share in the company free of charge three years after allotment, provided that the holder, with certain exceptions, at the time of the release of the interim report for the first quarter 2022 (LTI 2019), first quarter 2023 (LTI 2020) and first quarter 2024 (LTI 2021) is still employed by the Group and has maintained the shares acquired within the framework of the respective program. In addition to these conditions, the number of performance-based share awards that entitle the holder to Series B shares in the company depends on the annual development of ASSA ABLOY's earnings per share based on the target levels, as defined by the Board of Directors, during the measurement period 1 January 2019 – 31 December 2021 (LTI 2019), the measurement period 1 January 2020 – 31 December 2022 (LTI 2020) and the measurement period 1 January 2021 – 31 December 2023 (LTI 2021), where each year during the measurement period is compared to the previous year. The outcomes are calculated yearly, whereby one third of the performance-based share awards is measured against the outcome for the first year in the measurement period, one third is measured against the outcome for the second year in the measurement period and one third is measured against the outcome for the third year in the measurement period. The outcome for each year is measured linearly. Unless the minimum target level in the interval is achieved for the year, none of the relevant performance-based share awards will give the right to any Series B shares. If the maximum target level in the interval is achieved, each performance-based share award linked to the relevant year entitles the holder to one Series B share at the end of the three-year vesting period, provided that the other conditions are met.

The performance-based condition was fulfilled to 64 percent for LTI 2019. Fulfillment of the performance-based condition for LTI 2020 and LTI 2021, respectively, is intended to be presented in the Annual Report for the financial years 2022 and 2023, respectively.

Outstanding performance-based share awards for LTI 2021 total 418,308. The total number of outstanding performance-based share awards for LTI 2019, LTI 2020 and LTI 2021 amounted to 1,277,820 on the reporting date of 31 December 2021.

Fair value is based on the share price on the respective allotment date. The present value calculation is based on data from an external party. Fair value is also adjusted for performance-based share awards not expected to be realized at the end of the vesting period of the respective program. The company further assesses the probability of the performance targets being met when calculating the compensation expense.

The fair value of ASSA ABLOY's Series B share on the allotment date for LTI 2021, 9 June 2021, was SEK 259.86. The fair value of ASSA ABLOY's Series B share on the allotment date for LTI 2020, 28 May 2020, was SEK 196.25. The fair value of ASSA ABLOY's Series B share on the allotment date for LTI 2019, 24 May 2019, was SEK 194.23.

The total cost of the Group's long-term incentive programs (LTI 2018–LTI 2021) excluding social security costs amounted to SEK 49 M (50) in 2021. In April 2021 vesting of LTI 2018 took place equivalent to 221,196 Series B shares (126,551) at a total market value at the time of vesting of SEK 54 M (22). The payment referred to above for the vested shares in LTI 2018 was recognized in equity.

Notice and severance pay

If the CEO is given notice, the company is liable to pay the equivalent of a maximum of 24 months' base salary and other employment benefits. If one of the other members of the Executive Team is given notice, the company is liable to pay a maximum six months' base salary and other employment benefits plus an additional twelve months' base salary.

Average number of employees per country, broken down by gender

	Group					
	2020			2021		
	Total	of which women	of which men	Total	of which women	of which men
US	11,112	3,047	8,065	11,663	3,333	8,330
China	7,625	3,412	4,213	6,891	2,635	4,256
France	2,034	592	1,442	2,777	732	2,045
United Kingdom	2,139	536	1,603	2,500	694	1,806
Sweden	2,386	632	1,754	2,351	649	1,701
Mexico	1,765	539	1,227	1,901	542	1,359
Germany	1,556	459	1,097	1,791	471	1,320
Brazil	1,550	465	1,084	1,663	526	1,137
India	1,491	133	1,357	1,594	132	1,462
Poland	1,232	340	891	1,457	402	1,055
Australia	1,250	322	929	1,331	355	976
Czech Republic	1,081	381	701	1,261	458	803
Netherlands	1,151	210	941	1,202	241	961
Finland	1,194	322	872	1,177	327	850
Canada	820	255	565	858	199	658
Malaysia	793	399	395	829	407	422
Romania	744	295	449	826	314	512
Switzerland	640	169	470	690	137	553
Belgium	711	143	568	667	144	522
South Africa	620	253	367	655	265	390
Spain	573	153	420	647	195	452
South Korea	634	176	458	548	151	396
Norway	646	122	524	545	98	447
Denmark	544	117	427	498	106	393
Italy	418	118	301	483	187	295
New Zealand	355	100	254	403	110	294
Thailand	360	249	111	352	245	107
United Arab Emirates	347	37	310	334	37	297
Hungary	297	57	240	317	67	250
Chile	245	68	177	274	78	196
Ireland	228	81	147	244	89	155
Israel	217	68	149	239	76	163
Vietnam	52	14	38	220	136	85
Austria	200	29	171	213	29	185
Others	1,461	425	1,036	1,534	428	1,106
Total	**48,471**	**14,718**	**33,753**	**50,934**	**14,996**	**35,939**

Note 34 continued

	Parent company					
	2020			2021		
	Total	of which women	of which men	Total	of which women	of which men
Sweden	281	85	196	251	80	171
Total	**281**	**85**	**196**	**251**	**80**	**171**

Gender distribution of Board of Directors and Executive Team

	2020			2021		
	Total	of which women	of which men	Total	of which women	of which men
Board of Directors[1]	8	4	4	8	4	4
Executive Team	10	1	9	10	2	8
– of which Parent company's Executive Team	3	1	2	3	1	2
Total	**18**	**5**	**13**	**18**	**5**	**13**

[1] Excluding employee representatives.

NOTE 35 Financial risk management and financial instruments

Financial risk management

ASSA ABLOY is exposed to a variety of financial risks due to its international business operations. Financial risk management for ASSA ABLOY's units has been implemented in accordance with the ASSA ABLOY Group's financial policy. The principles for financial risk management are described below.

Organization and activities

ASSA ABLOY's financial policy, which is determined by the Board of Directors, provides a framework of guidelines and regulations for the management of financial risks and financial activities.

ASSA ABLOY's financial activities are coordinated centrally and the majority of financial transactions are conducted by the subsidiary ASSA ABLOY Financial Services AB, which is the Group's internal bank. External financial transactions are conducted by Treasury. Treasury achieves significant economies of scale when negotiating borrowing agreements, using interest rate derivatives and managing currency flows.

Capital structure

The objective of the Group's capital structure is to safeguard its ability to continue as a going concern, and to generate good returns for shareholders and benefits for other stakeholders. Maintaining an optimal capital structure enables the Group to keep capital costs at a low level. The Group can adjust the capital structure based on the requirements that arise by varying the dividend paid to shareholders, returning capital to shareholders, issuing new shares or selling assets to reduce debt. The capital requirement is assessed on the basis of factors such as the net debt/equity ratio.

Net debt is defined as interest-bearing liabilities, including negative market values of derivatives, plus pension provisions and lease obligations, less cash and cash equivalents, and other interest-bearing investments including positive market values of derivatives. The table 'Net debt and equity' shows the position as at 31 December.

Net debt and equity

	Group	
SEK M	2020	2021
Non-current interest-bearing receivables	–159	–170
Short-term investments	–46	–8
Derivative instruments – Positive market values	–426	–262
Cash and cash equivalents	–2,756	–4,325
Long-term loans	22,381	20,195
Short-term loans	3,514	5,042
Lease liabilities	3,562	3,515
Pension provisions	3,514	2,736
Derivative instruments – negative market values	172	347
Total	**29,755**	**27,071**
Equity	**58,879**	**69,592**
Debt/equity ratio	**0.51**	**0.39**

Rating

Another important variable in the assessment of the Group's capital structure is the credit rating assigned by credit rating agencies to the Group's debt. It is essential to maintain a solid credit rating in order to have access to both long-term and short-term financing from the capital markets when needed. ASSA ABLOY maintains both long-term and short-term credit ratings from Standard & Poor's and a short-term rating from Moody's. When the acquisition of HHI was announced, Standard & Poor's issued a Credit Watch with a negative outlook. Standard & Poor's sees a risk of the long-term credit rating being downgraded when the acquisition is completed.

Agency	Short-term	Outlook	Long-term	Outlook
Standard & Poor's	A2	Stable	A –	Neg Credit Watch
Moody's	P2	Stable	n/a	

Maturity profile – financial instruments[1]

	31 December 2020				31 December 2021			
SEK M[2]	<1 year	>1 <2 years	>2 <5 years	>5 years	<1 year	>1 <2 years	>2 <5 years	>5 years
Long-term bank loans	–1,368	–1,089	–1,160	–3,257	–1,110	–424	–2,208	–2,139
Long-term capital market loans	–1,462	–2,417	–9,101	–6,582	–2,608	–3,178	–7,276	–6,048
Short-term bank loans	–1,179				–2,042			
Derivatives (outflow)	–13,960	–20	–55	–33	–21,062	–22	–51	–24
Total by period	**–17,969**	**–3,526**	**–10,315**	**–9,871**	**–26,822**	**–3,624**	**–9,535**	**–8,212**
Cash and cash equivalents incl. interest-bearing receivables	3,174				4,333			
Non-current interest-bearing receivables		44		155	2	1		208
Derivatives (inflow)	14,049	60	166	98	20,883	65	145	74
Deferred considerations	–781	–157	–6		–346	–53	–5	
Trade receivables	13,665				15,844			
Trade payables	–7,028				–9,527			
Lease liabilities	–1,145	–874	–1,259	–408	–1,141	–859	–1,212	–438
Net total	**3,966**	**–4,453**	**–11,415**	**–10,027**	**3,226**	**–4,470**	**–10,607**	**–8,368**
Confirmed credit facilities	12,058		–12,058		50,736	–38,454	–12,282	
Adjusted maturity profile[1]	**16,024**	**–4,453**	**–23,472**	**–10,027**	**53,962**	**–42,924**	**–22,889**	**–8,368**

[1] For maturity profile of guarantees, see Note 30.
[2] The amounts in the table are undiscounted and include future known interest payments. The exact amounts are therefore not found in the balance sheet.

Note 35 continued

Financing risk and maturity profile

Financing risk is defined as the risk of being unable to meet payment obligations as a result of inadequate liquidity or difficulties in obtaining external financing. ASSA ABLOY manages financing risk at Group level. Treasury is responsible for external borrowings and external investments. ASSA ABLOY strives to have access on every occasion to both short-term and long-term loan facilities. In accordance with financial policy, the available loan facilities, including available cash and cash equivalents, should include a reserve (facilities available but not utilized) equivalent to at least 10 percent of the Group's total annual sales.

Maturity profile

The table 'Maturity profile' above shows the maturities for ASSA ABLOY's financial instruments, including confirmed credit facilities. The maturities are not concentrated to a particular date in the immediate future. An important component of liquidity planning is the Group's Multi-Currency Revolving Credit Facility totaling EUR 1,200 M. The maturity for EUR 1,116 M was extended in 2021 and is now in April 2026. A smaller portion, EUR 84 M will still mature in April 2024. This credit facility was wholly unutilized at year-end. To secure the financing of the HHI acquisition, two new loan agreements were entered into during the year: a Bridge Facility of USD 3,750 M and an agreement for a credit facility of USD 500 M. Both facilities mature in 2023, but the financing depends on completion of the HHI acquisition.

Moreover, existing financial assets are also taken into account in the table. The table shows cash flows and known future interest payments relating to the Group's financial instruments at the reporting date, and these amounts are therefore not found in the balance sheet.

Cash and cash equivalents and other interest-bearing receivables

Current interest-bearing investments totaled SEK 1,643 M (46) at year-end. In addition, ASSA ABLOY has long-term interest-bearing receivables of SEK 170 M (159) and financial derivatives with a positive market value of SEK 262 M (426) which, in addition to cash and cash equivalents, are included in the definition of net financial debt. Cash and cash equivalents are mainly invested in bank accounts, deposits in banks or interest-bearing instruments with high liquidity from issuers with a credit rating of at least A– according to Standard & Poor's or a similar rating agency. The average term for cash and cash equivalents was 7 days (4) at year-end 2021.

The Parent company's cash and cash equivalents are held in a sub-account to the Group account.

	Group		Parent company	
SEK M	**2020**	**2021**	**2020**	**2021**
Cash and bank balances	2,756	2,690	0	0
Short-term investments with maturity less than 3 months	0	1,635	–	–
Cash and cash equivalents	**2,756**	**4,325**	**0**	**0**
Short-term investments with maturity more than 3 months	46	8	–	–
Non-current interest-bearing receivables	159	170	–	–
Positive market value of derivatives	426	262	–	–
Total	**3,388**	**4,764**	**0**	**0**

Interest rate risks in interest-bearing assets

Treasury manages interest rate risk in interest-bearing assets. Derivative instruments such as interest rate swaps and FRAs (Forward Rate Agreements) may be used to manage interest rate risk. These interest-bearing assets are mostly short-term. Maturity for the investments has risen during the year. The fixed interest term for such short-term investments was 8 days (164) at year-end 2021. A downward change in the yield curve of one percentage point would reduce the Group's interest income by around SEK 0 M (0) and consolidated equity by SEK 0 M (0).

Interest-bearing liabilities

The Group's long-term loan financing mainly consists of a GMTN Program of SEK 15,793 M (16,189), of which SEK 14,862 M (15,047) is long-term, a Private Placement Program in the US totaling USD 225 M, of which USD 75 M (225) is long-term, and loans from financial institutions such as the European Investment Bank (EIB) of EUR 0 M (18) and USD 349 M (366) and the Nordic Investment Bank of EUR 135 M (190). During the year there were no new issues under the GMTN Program and no new long-term loans were raised. Other changes in long-term loans are mainly due to some of the originally long-term loans now having less than 1 year to maturity. The size of the loans was also affected by currency fluctuations, especially regarding the USD.

The Group's short-term loan financing mainly consists of two Commercial Paper Programs for a maximum USD 1,000 M (1,000) and SEK 5,000 M (5,000) respectively. At year-end, however, the outstanding balance under the Commercial Paper Programs was SEK 0 M (0). In addition, substantial credit facilities are available, mainly in the form of a Multi-Currency Revolving Credit Facility of EUR 1,200 M (1,200). At year-end the average time to maturity for the Group's interest-bearing liabilities, excluding the pension provision and lease obligations, was 45 months (53).

Some of the Group's main financing agreements contain a customary Change of Control clause. This clause means that lenders have the right in certain circumstances to demand the renegotiation of conditions or to terminate the agreements should control of the company change.

Note 35 continued

External financing/net debt

Credit lines/facilities	Amount, SEK M	Maturity	Carrying amount, SEK M	Currency	Amount 2020	Amount 2021	Of which Parent company, SEK M
US Private Placement Program	679	Aug 2024	679	USD	75	75	–
Multi-Currency RCF	860	Apr 2024	–	EUR	84	84	–
Multi-Currency RCF	11,423	Apr 2026	–	EUR	1,116	1,116	–
Bridge loan facility	33,930	Oct 2023	–	USD	–	3,750	–
Term loan facility	4,524	Oct 2023	–	USD	–	500	–
Bank loan EIB	621	Oct 2024[2]	621	USD	86	69	–
Bank loan EIB	2,382	Mar 2027[2]	2,382	USD	263	263	–
Bank loan NIB	690	Jun 2026	690	EUR	68	68	–
Bank loan NIB	690	Jun 2028	690	EUR	68	68	–
Global MTN Program	24,658	Feb 2023	500	SEK	500	500	500
		Mar 2023	154	EUR	15	15	154
		Oct 2023	205	EUR	20	20	205
		Nov 2023	233[1]	USD	25	25	–
		Nov 2023	913[1]	USD	100	100	905
		Dec 2023	905	USD	100	100	905
		Jan 2024	307	EUR	30	30	307
		Apr 2024	550	SEK	550	550	550
		May 2024	181	USD	20	20	181
		Jul 2024	271	USD	30	30	271
		Sep 2024	1,021	EUR	100	100	1,021
		Oct 2024	181	USD	20	20	181
		Feb 2025	512	EUR	50	50	512
		Mar 2025	329[1]	EUR	30	30	307
		Jun 2025	905	USD	100	100	905
		Jun 2025	511	EUR	50	50	511
		Jun 2025	271	USD	30	30	271
		Dec 2025	468[1]	USD	50	50	452
		Mar 2026	205	EUR	20	20	205
		Nov 2026	489[1]	CHF	50	50	493
		Feb 2027	307	EUR	30	30	307
		Feb 2027	510	EUR	50	50	510
		Jun 2027	307[1]	NOK	300	300	307
		Sep 2027	509	EUR	50	50	509
		Oct 2027	207[1]	NOK	200	200	205
		May 2029	152	EUR	15	15	152
		Jun 2029	90	USD	10	10	90
		Aug 2029	102	EUR	10	10	102
		Oct 2029	303[1]	EUR	28	28	284
		Oct 2029	265	EUR	26	26	265
		Dec 2029	908[1]	USD	100	100	895
		Mar 2030	306	EUR	30	30	306
		Apr 2030	712	EUR	70	70	712
		Feb 2031	102	EUR	10	10	102
		Aug 2034	1,011	EUR	100	100	1,011
Other long-term loans	234		234				–12
Total long-term loans/facilities	**80,690**		**20,195**				**14,577**
US Private Placement Program	1 361		1,361	USD	150	150	–
Global MTN Program	931		931	SEK	1,142	931	931
Global CP Program	9,048		–	SEK	–	–	–
Swedish CP Program	5 000		–	SEK	–	–	–
Other bank loans	2,334		2,334				921
Overdraft facility	3,372		416				–
Total short-term loans/facilities	**22,045**		**5,042**				**1,852**
Total loans/facilities	**102,734**		**25,237**				**16,430**
Cash and cash equivalents			–4,325				
Non-current and current interest-bearing investments			–177				
Derivative financial instruments			86				
Pension provisions			2,736				
Lease liabilities			3,515				
Net debt			**27,071**				

[1] The loans are subject to hedge accounting, in whole or in part.
[2] The loans are amortizing. In the table the average dates of maturity of the loans have been stated.

Note 35 continued

Change in loans

SEK M	Long-term loans	Short-term loans	Total
Opening balance 1 January 2021	**22,381**	**3,514**	**25,895**
Cash flow from financing activities			
Long-term loans raised	8	–	8
Long-term loans repaid	–	–2,473	–2,473
Net change in short-term loans	–	682	682
Total	**8**	**–1,791**	**–1,783**
Changes without cash flow impact			
Acquisitions of subsidiaries	9	98	107
Divestments of subsidiaries	–	–245	–245
Reclassifications	–3,177	3,177	–
Unrealized exchange rate differences	959	200	1,159
Other changes	12	–	12
Exchange rate differences	3	90	93
Total	**–2,194**	**3,320**	**1,125**
Closing balance 31 December 2021	**20,195**	**5,042**	**25,237**

SEK M	Long-term loans	Short-term loans	Total
Opening balance 1 January 2020	**21,100**	**5,460**	**26,560**
Cash flow from financing activities			
Long-term loans raised	5,806	–	5,806
Long-term loans repaid	–	–3,252	–3,252
Net change in short-term loans	–	–1,522	–1,522
Total	**5,806**	**–4,774**	**1,032**
Changes without cash flow impact			
Acquisitions of subsidiaries	182	43	225
Divestments of subsidiaries	–	–66	–66
Reclassifications	–3,181	3,181	–
Unrealized exchange rate differences	–1,631	–319	–1,950
Other changes	105	–11	94
Total	**–4,525**	**2,828**	**–1,697**
Closing balance 31 December 2020	**22,381**	**3,514**	**25,895**

Interest rate risks in borrowing

Changes in interest rates have a direct impact on ASSA ABLOY's net interest expense. Treasury is responsible for identifying and managing the Group's interest rate exposure. Treasury analyzes the Group's interest rate exposure and calculates the impact on income of changes in interest rates on a rolling 12-month basis. The Group strives for a mix of fixed rate and variable rate borrowings in the loan portfolio, and uses interest rate swaps to adjust the fixed interest term. The financial policy stipulates that the average fixed interest term should normally be within the interval of 12 to 36 months. At year-end, the average fixed interest term on gross debt, excluding pension liabilities and lease commitments, was around 29 months (32). An upward change in the yield curve of one percentage point would increase the Group's interest expense by around SEK 53 M (89) and reduce consolidated equity by SEK 39 M (65).

Change in lease liabilities

	Group	
SEK M	**2020**	**2021**
Opening balance	**3,739**	**3,562**
Acquisitions of subsidiaries	265	13
Divestments of subsidiaries	–37	–181
New and terminated leases	1,169	1,156
Amortization of lease liabilities	–1,275	–1,242
Exchange rate differences	–299	207
Closing balance	**3,562**	**3,515**

	Group	
Balance sheet breakdown:	**2020**	**2021**
Non-current lease liabilities	2,477	2,433
Current lease liabilities	1,085	1,082
Total	**3,562**	**3,515**

Currency composition

The currency composition of ASSA ABLOY's borrowing depends on the currency composition of the Group's assets and other liabilities. Currency swaps are used to achieve the desired currency composition. See the table 'Net debt by currency' below.

Net debt by currency

	31 December 2020		31 December 2021	
SEK M	**Net debt excl. derivatives**	**Net debt incl. derivatives**	**Net debt excl. derivatives**	**Net debt incl. derivatives**
USD	11,201	12,311	11,494	12,133
EUR	13,525	11,783	12,356	10,879
GBP	493	2,120	114	1,600
CNY	577	1,868	1,000	2,854
AUD	64	1,340	85	1,443
NOK	612	656	560	354
CZK	124	628	100	655
PLN	62	554	66	630
KRW	234	505	312	475
SEK	1,477	–1,968	–603	–2,596
CHF	748	–1,616	675	–2,648
Other	636	1,574	911	1,292
Total	**29,755**	**29,755**	**27,071**	**27,071**

Currency risk

Currency risk affects ASSA ABLOY mainly through translation of capital employed and net debt, translation of the income of foreign subsidiaries, and the impact on income of flows of goods between countries with different currencies.

Transaction exposure

Currency risk in the form of transaction exposure, or exports and imports of goods respectively, is relatively limited in the Group, even though it can be significant for individual business units. The main principle is to allow currency fluctuations to have an impact on the business as quickly as possible. As a result of this strategy, current currency flows are not normally hedged.

Transaction flows relating to major currencies (import + and export –)

	Currency exposure	
Currency, SEK M	**2020**	**2021**
AUD	679	742
CAD	852	857
CHF	–772	–609
CNY	–1,653	–1,688
CZK	–389	–461
EUR	1,523	1,761
GBP	589	1,133
HKD	–820	–572
SEK	–2,223	–663
USD	1,120	1,259

Translation exposure in income

The table below shows the impact on the Group's income before tax of a reasonably possible change, in this case a 10 percent weakening of the Swedish krona (SEK) in relation to the major currencies, with all other variables constant.

Impact on income before tax of a 10 percent weakening of SEK

Currency, SEK M	2020	2021
AUD	44	61
CAD	22	34
CHF	41	49
DKK	12	14
EUR	188	265
HKD	66	50
MXN	12	16
NOK	17	23
NZD	15	16
USD	753	853

Note 35 continued

Translation exposure in the balance sheet

The impact of translation of equity is limited by the fact that a large part of financing is in local currency.

The capital structure in each country is optimized based on local legislation. Whenever possible, according to local conditions, gearing per currency should generally aim to be the same as for the Group as a whole to limit the impact of fluctuations in individual currencies. Treasury uses currency derivatives and loans to achieve appropriate financing and to eliminate undesirable currency exposure.

The table 'Net debt by currency' on page 96 shows the use of forward exchange contracts in relation to financing in major currencies. Forward exchange contracts are used to neutralize the exposure arising between external debt and internal requirements.

Financial credit risk

Financial risk management exposes ASSA ABLOY to certain counterparty risks. Such exposure may arise from the investment of surplus cash as well as from investment in debt instruments and derivative instruments.

ASSA ABLOY's policy is to minimize the potential credit risk relating to surplus cash by using cash flow from subsidiaries to repay the Group's loans. This is primarily achieved through cash pools put in place by Treasury. Around 97 percent (96) of the Group's sales were settled through cash pools in 2021. Smaller amounts may be held in other local banks for shorter time periods depending on how customers choose to pay. The Group can also invest surplus cash in the short term in banks to match borrowing and cash flow. The banks in which surplus cash is deposited have a high credit rating. In light of this and the short terms of the investments the effect of the calculated credit risk is assessed to be negligible.

Derivative instruments are allocated between banks based on risk levels defined in the financial policy, in order to limit counterparty risk. Treasury only enters into derivative contracts with banks that have a high credit rating.

ISDA agreements (full netting of transactions in case of counterparty default) have been entered into with respect to interest rate and currency derivatives. The table on page 98 shows the impact of this netting.

Commercial credit risk

The Group's trade receivables are distributed across a large number of customers who are spread globally. No single customer accounts for more than 2 percent of the Group's sales. The concentration of credit risk associated with trade receivables is considered to be limited, but credit risk has been assessed to have increased in the past two years, given the global Covid-19 pandemic and its impact on global demand. The fair value of trade receivables is equivalent to the carrying amount. Credit risks relating to operating activities are managed locally at company level and monitored at division level. For more information see Note 22 and the section 'Impairment of financial assets' in the information on accounting principles.

Commodity risk

The Group is exposed to price risks relating to purchases of certain commodities (primarily metals) used in production. Forward contracts are not used to hedge commodity purchases.

Fair value of financial instruments

Derivative financial instruments such as forward exchange contracts and forward rate agreements are used to the extent necessary. The use of derivative instruments is limited to reducing exposure to financial risks.

The positive and negative fair values in the table 'Outstanding derivative financial instruments' on page 98 show the fair values of outstanding instruments at year-end, based on available fair values, and are the same as the carrying amounts in the balance sheet. The nominal value is equivalent to the gross value of the contracts.

For accounting purposes, financial instruments are classified into measurement categories in accordance with IFRS 9. The table 'Financial instruments' on page 98 provides an overview of financial assets and liabilities, measurement category, and carrying amount and fair value per item.

Risk management through hedge accounting

During the year the Group used hedge accounting in its financial risk management. Hedges can be divided into cash flow hedges, fair value hedges and net investment hedges. Changes in these hedges can be seen in the table below. For information regarding the effects of net investment hedges in other comprehensive income, see Note 32. Net investment hedges are used to manage currency risk that arises through investments in foreign subsidiaries. Fair value hedges are used to manage interest rate risk that arises when the Group takes out loans at a fixed interest rate. Cash flow hedges for interest rate risk in loans with variable interest rates are used to adjust the interest rate risk for variable interest rates.

Interest rate risk related to the long-term loans are hedged through hedge accounting using interest rate swaps. In cases where the loans are denominated in a currency other than SEK, currency risk is not included in the applied hedge accounting. For risks related to net investments in foreign subsidiaries, hedge accounting is only applied to manage currency risk; no other related risks are managed by the hedges that are applied.

ASSA ABLOY does not hedge 100% of its long-term loans or its net investments. Instead, the decision on when hedge accounting is appropriate is taken on a case-by-case basis, in accordance with the risk levels described in the financial policy.

For fair value hedges the Group uses interest rate swaps with critical terms that are equivalent to the hedged object, such as reference rate, settlement days, maturity date and nominal amounts. This approach ensures an economic relationship between the hedging objects and the hedging instruments. Hedging relationship effectiveness is tested through periodic forward-looking evaluation to ensure that an economic relationship still exists. Examples of identified sources of ineffectiveness in the hedging relationship include if a credit risk adjustment in the interest rate swap is not matched by an equivalent adjustment to the loan, or if for some reason differences in the critical terms between the interest rate swap and the loan should arise. All critical terms matched during the year. For this reason, the economic relationship has been 100% effective. The changes that have occurred to date following the reference rate reform (IBOR reform) had no significant impact on the Group's hedge relationships in 2021. For USD, most maturities for LIBOR do not end before 30 June 2023.

Hedging instruments

SEK M	Interest rate hedging 2020	Interest rate hedging 2021	Net investments 2020	Net investments 2021
Carrying amount of hedged item – fair value	2,609	2,803	–	–
Carrying amount of hedged item – cash flow	432	1,907		
Nominal amount of hedging instrument	3,041	4,711	–	–
Maturity	2021 to 2029	2022 to 2029	–	–
Hedge ratio	1:1	1:1	–	–
Total effect of hedging on hedged item	–187	–75	–	–
Accrued remaining amount for terminated hedges	–20	–11	–255	–255
Change in value, hedging instruments since 1 January	99	–107	–3	–
Change in value, hedge item	–99	107	3	–
Ineffectiveness recognized in profit or loss	0	0	0	–

Changes in the value of fair value hedged items are recognized against long-term loans, changes in value of hedging instruments are recognized against accrued revenue or expenses, respectively; ineffectiveness, if any, is recognized against interest income or expenses, respectively. Changes in value of hedge instruments in net investment hedges are recognized in the hedging reserve in equity. Changes in value of hedge instruments in cash flow hedges of interest rate risk are recognized in Other comprehensive income. Any ineffectiveness is recognized against interest income or interest expenses.

Note 35 continued

Disclosures of offsetting of financial assets and liabilities

	2020					2021				
SEK M	Gross amount	Amounts netted in the balance sheet	Net amounts in the balance sheet	Amount covered by netting agreement but not offset	Net amount	Gross amount	Amounts netted in the balance sheet	Net amounts in the balance sheet	Amount covered by netting agreement but not offset	Net amount
Financial assets	426	–	426	76	350	262	–	262	135	128
Financial liabilities	172	–	172	76	96	347	–	347	135	212

Netted financial assets and financial liabilities only consist of derivative instruments.

Outstanding derivative financial instruments at 31 December

	31 December 2020			31 December 2021		
Instrument, SEK M	Positive fair value[2]	Negative fair value[2]	Nominal value	Positive fair value[2]	Negative fair value[2]	Nominal value
Foreign exchange forwards, funding	240	–172	7,923	179	345	9,246
Interest rate derivatives[1], fair value hedges	187	–	2,609	79	3	2,803
Interest rate derivatives[1], cash flow hedges	–	0	432	5	0	1,907
Total	**426**	**–172**	**10,963**	**262**	**348**	**13,957**

[1] For Interest rate derivatives, only one leg is included in nominal value.
[2] Assets are recognized against accrued revenue and liabilities against accrued expenses.

Financial instruments: carrying amounts and fair values by measurement category

	2020		2021	
SEK M	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortized cost				
Trade receivables	13,665	13,665	15,844	15,844
Other financial assets at amortized cost	252	252	223	223
Cash and cash equivalents	2,756	2,756	4,325	4,325
Financial assets at fair value through profit or loss				
Shares and interests	6	6	52	52
Derivative financial instruments				
Hedge accounting	187	187	84	84
Held for trading	240	240	179	179
Total financial assets	**17,106**	**17,106**	**20,706**	**20,706**
Financial liabilities at amortized cost				
Trade payables	7,027	7,027	9,527	9,527
Lease liabilities	3,562	3,562	3,515	3,515
Long-term loans – hedge accounting	2,781	2,781	2,864	2,864
Long-term loans – non-hedge accounting	19,600	20,157	17,331	17,519
Short-term loans – hedge accounting	–	–	–	–
Short-term loans – non-hedge accounting	3,514	3,515	5,042	5,052
Financial liabilities at fair value through profit or loss				
Deferred considerations	944	944	403	403
Derivative financial instruments				
Hedge accounting	0	0	3	3
Held for trading	171	171	345	345
Total financial liabilities	**37,600**	**38,158**	**39,027**	**39,228**

The fair value of long-term borrowing is based on observable data by discounting cash flows to market rate, which is deemed to correspond with level 2 according to the fair value hierarchy. The fair value of current receivables and current liabilities is considered to correspond to the carrying amount.

Financial instruments: measured at fair value

	2020				2021			
SEK M	Carrying amounts	Quoted prices (level 1)	Observable data (level 2)	Non-observable data (level 3)	Carrying amounts	Quoted prices (level 1)	Observable data (level 2)	Non-observable data (level 3)
Financial assets								
Derivative financial instruments	426	–	426	–	262	–	262	–
Financial liabilities								
Derivative financial instruments	172	–	172	–	347	–	347	–
Deferred considerations	944	–	–	944	403	–	–	403

Measurement at fair value is classified hierarchically in three different levels based on input data used in measurement of the instruments. Deferred considerations relate to additional payments for acquired companies. The size of a deferred consideration is usually linked to the earnings and sales trend in an acquired company during a specific period of time. Deferred consideration is measured on the day of acquisition based on the best judgment of management regarding future outcomes. Discounting takes place in the case of significant amounts. Belongs to level 3 in the hierarchy.

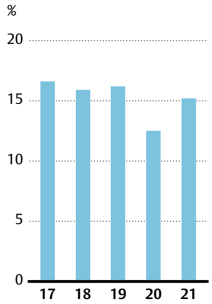
For derivatives, the present value of future cash flows is calculated based on observable yield curves and exchange rates on the balance sheet date. Belongs to level 2 in the hierarchy.

Five years in summary

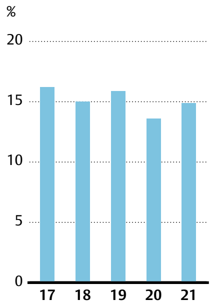
Amounts in SEK M unless stated otherwise	2017	2018	2019	2020	2021
Sales and income					
Sales	76,137	84,048	94,029	87,649	95,007
Organic growth, %	4	5	3	–8	11
Acquisitions and divestments, %	2	2	3	4	2
Operating income (EBIT) excluding items affecting comparability	12,341	12,909	14,920	11,916	14,181
Operating income (EBIT)	12,341	6,096	14,608	12,458	14,181
Income before tax (EBT)	11,673	5,297	13,571	11,676	13,538
Net income	8,635	2,755	9,997	9,172	10,901
Cash flow					
Cash flow from operating activities	9,248	9,225	12,665	13,658	12,456
Cash flow from investing activities	–8,661	–6,427	–5,464	–6,741	–3,094
Cash flow from financing activities	–861	–2,728	–7,301	–4,558	–7,813
Cash flow	–274	70	–100	2,359	1,549
Operating cash flow	10,929	11,357	14,442	14,560	13,265
Capital employed and financing					
Capital employed	75,932	81,146	92,204	88,634	96,663
– of which goodwill	50,330	53,413	57,662	58,344	62,502
– of which other intangible assets and property, plant and equipment	19,144	19,518	21,191	22,134	22,587
– of which right-of-use assets	–	119	3,731	3,513	3,436
– of which shares and interests in associates	2,243	2,434	2,595	637	652
Net debt	25,275	29,246	33,050	29,755	27,071
Non-controlling interests	9	10	11	9	9
Shareholders' equity, excluding non-controlling interest	50,648	51,890	59,143	58,870	69,582
Data per share, SEK					
Earnings per share before and after dilution	7.77	2.48	9.00	8.26	9.81
Earnings per share before and after dilution and excluding items affecting comparability	7.77	8.09	9.22	7.54	9.81
Shareholders' equity per share after dilution	45.60	46.71	53.25	53.00	62.64
Dividend per share	3.30	3.50	3.85	3.90	4.20[1]
Price of Series B share at year-end	170.40	158.15	219.00	202.50	276.20
Key figures					
Operating margin (EBIT), % excluding items affecting comparability	16.2	15.4	15.9	13.6	14.9
Operating margin (EBIT), %	16.2	7.3	15.5	14.2	14.9
Profit margin (EBT), %	15.3	6.3	14.4	13.3	14.2
Cash conversion	0.94	0.94	1.04	1.31	0.98
Return on capital employed, %	16.6	15.9	16.2	12.5	15.2
Return on equity, %	17.6	5.4	18.0	15.5	17.0
Equity ratio, %	50.9	48.7	50.1	50.1	53.5
Net debt/Equity ratio	0.50	0.56	0.56	0.51	0.39
Net debt/EBITDA	1.8	2.0	1.8	1.9	1.5
Total number of shares, thousands	1,112,576	1,112,576	1,112,576	1,112,576	1,112,576
Number of outstanding shares, thousands	1,110,776	1,110,776	1,110,776	1,110,776	1,110,776
Weighted average number of outstanding shares, before and after dilution, thousands	1,110,776	1,110,776	1,110,776	1,110,776	1,110,776
Average number of employees	47,426	48,353	48,992	48,471	50,934

[1] Dividend proposed by the Board of Directors.

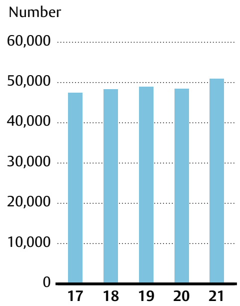
Return on capital employed



Operating margin (EBIT)[2]



Average number of employees



[2] Excluding items affecting comparability.

Comments on five years in summary

2017

Sales growth continued to be robust during the year. Organic growth was 4 percent, driven by growing demand for electromechanical and digital door opening solutions. For ASSA ABLOY, the mature markets primarily in Europe and the US demonstrated continued robust growth, while the trend in the emerging markets was weaker, especially in China, Brazil and the Middle East. Growth in Asia outside China continued to be robust.

Product development continues to focus on areas such as digital and mobile technologies, which are believed to provide substantial potential for robust profitable growth for some time to come. ASSA ABLOY also has a growing selection of products with environmental product declarations as part of its sustainable solutions initiative.

Operating income for the year, excluding items affecting comparability, increased by 10 percent compared with 2016, and cash flow remained strong. Earnings per share after full dilution, excluding items affecting comparability, increased 10 percent.

A total of 16 acquisitions were consolidated during the year, which strengthened the market position in areas such as smart door locks, physical access management and identity solutions. ASSA ABLOY divested its project operation within HID Global, AdvanIDe, in its entirety.

2018

Growth was strong during the year, with organic growth of 5 percent driven by continued successes for electromechanical and digital solutions, as well as strong growth in North and South America. The mature markets continued to demonstrate a favorable trend, with the US and Europe demonstrating strong and robust growth, respectively, during the year. The trend in the emerging markets was weaker, especially in Asia and the Middle East.

A new restructuring program was launched during the year. About fifty production plants and offices are set to close over a three-year period, with an estimated payback period of less than three years.

Product development continued at a high level with large investments in R&D, as reflected by 27 percent of sales for the year which relate to products that are less than three years old.

Operating income for the year, excluding items affecting comparability, increased by 5 percent and cash flow remained strong. Earnings per share after full dilution, excluding items affecting comparability, increased 4 percent. An impairment charge of SEK 6 billion was taken during the year for goodwill, other intangible assets and operating assets.

A total of 19 acquisitions were consolidated during the year, which strengthened the market position for HID in secure identity solutions. ASSA ABLOY sold its wood door business within the Americas division during the year.

2019

Organic growth was 3 percent, driven by good growth in the Americas and Global Technologies divisions. Growth was particularly strong in the US on robust demand for smart locks in the private residential market, as well as the commercial business segments. Growth in Europe and Asia was generally mixed. The trend for the emerging markets continued to be relatively weak.

The product development initiative accelerated during the year with large investments in R&D, as reflected by the 27 percent of sales which relate to products that are less than three years old.

Operating income for the year, excluding items affecting comparability, increased by 12 percent and cash flow remained strong. Earnings per share after full dilution, excluding items affecting comparability, increased 14 percent.

Acquisition activity continued to be high during the year; at the same time, an agreement was also signed for the acquisition of agta record, the largest acquisition since 2011.

2020

Demand was negatively impacted during the year by the Covid-19 pandemic. Organic growth was –8 percent for the Group, with a negative sales trend in all divisions. Cost-saving measures and staff cuts have largely offset the negative impact on earnings from lower sales. A new restructuring program was also launched at the end of the year, with plans to close about ten plants and about thirty offices for a two-year period. The operating cash flow remained strong thanks to, among other things, cost reductions and reduced working capital.

Demand was generally more stable in the more mature markets in Europe and the US compared with the trend in the emerging markets, especially in Asia, the Middle East and Africa. The focus on product development and innovation continued with undiminished strength. Major investments were made in R&D, where the full workforce was kept intact during the year.

Operating income for the year, excluding items affecting comparability, decreased by 20 percent. Cash flow remained strong. Acquisition activity continued to be high during the year; for example, the acquisition of agta record was completed.

2021

The mature markets in the US and Europe gradually recovered during the year despite the continuation of the Covid-19 pandemic and restrictions in many countries. The continued restrictions in Asia meant weaker recovery of demand. Organic growth was very strong for the Group as a whole at 11 percent, with a positive sales trend in all divisions.

However, rising material costs and scarcity of certain components presented an operational challenge and had a negative impact on sales and income. Operating income excluding items affecting comparability increased overall by 19 percent, and the operating margin was 14.9 percent (13.6). Operating cash flow remained strong during the year.

Acquisition activity was high, with thirteen businesses acquired, primarily in the US and Europe. Additional acquisition contracts were signed during the year, primarily for HHI, a leading provider in the North American residential segment. The Nordic locksmith and security solution installer CERTEGO was divested.

The focus on product development and innovation continued at a high level during the year, including the launch of more than 400 new products on the market.

Sustainability remains a priority area for ASSA ABLOY. New initiatives were introduced during the year in our effort to meet the Group's sustainability targets for 2025, with continued reductions in emissions, waste and water consumption.

Definitions of key ratios

Organic growth
Change in sales for comparable units after adjustments for acquisitions, divestments and exchange rate effects.

Operating margin (EBITDA)
Operating income before depreciation, amortization and impairment as a percentage of sales.

Operating margin (EBITA)
Operating income before amortization of intangible assets recognized in business combinations, as a percentage of sales.

Operating margin (EBIT)
Operating income as a percentage of sales.

Profit margin (EBT)
Income before tax as a percentage of sales.

Items affecting comparability
Restructuring costs and significant non-recurring operating expenses such as revaluation of previously owned shares in associates and goodwill impairment.

Operating cash flow
Cash flow from operating activities excluding restructuring payments and tax paid on income minus net capital expenditure and repayment of lease liabilities. See the table on operating cash flow for detailed information.

Cash conversion
Operating cash flow in relation to income before tax excluding items affecting comparability.

Net capital expenditure
Investments in, less sales of, intangible assets and property, plant and equipment.

Capital employed
Total assets less interest-bearing assets and non-interest-bearing liabilities including deferred tax liability.

Average adjusted capital employed
Average capital employed excluding restructuring reserves for the last twelve months.

Net debt
Interest-bearing liabilities less interest-bearing assets. See the table on net debt for detailed information.

Net debt/EBITDA
Net debt at the end of the period in relation to EBITDA for the last twelve months.

Debt/equity ratio
Net debt in relation to equity.

Equity ratio
Shareholders' equity as a percentage of total assets.

Shareholders' equity per share
Equity excluding non-controlling interests in relation to number of outstanding shares after any potential dilution.

Return on equity
Net income attributable to parent company's shareholders for the last twelve months as a percentage of average parent company's shareholders' equity for the same period.

Return on capital employed
Operating Income (EBIT), excluding items affecting comparability, for the last twelve months as a percentage of average adjusted capital employed.

Earnings per share before and after dilution
Net income attributable to parent company's shareholders divided by weighted average number of outstanding shares. None of the Group's outstanding long-term incentive programs are expected to result in significant dilution in the future.

Earnings per share before and after dilution, excluding items affecting comparability
Net income attributable to parent company's shareholders, excluding items affecting comparability, net of tax, divided by weighted average number of outstanding shares. None of the Group's outstanding long-term incentive programs are expected to result in significant dilution in the future.

Board of Directors and CEO assurance

The Board of Directors and the President and CEO declare that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU and give a true and fair view of the Group's financial position and results. The Parent company's annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent company's financial position and results.

The Report of the Board of Directors for the Group and the Parent company gives a true and fair view of the development of the Group's and the Parent company's business operations, financial position and results, and describes material risks and uncertainties to which the Parent company and the other companies in the Group are exposed.

Stockholm, 2 March 2022

Lars Renström
Chairman

Carl Douglas
Vice Chairman

Nico Delvaux
President and CEO

Johan Hjertonsson
Board member

Sofia Schörling Högberg
Board member

Eva Karlsson
Board member

Lena Olving
Board member

Joakim Weidemanis
Board member

Susanne Pahlén Åklundh
Board member

Rune Hjälm
Board member
Employee representative

Mats Persson
Board member
Employee representative

Our audit report was issued on 4 March 2022

Ernst & Young AB

Hamish Mabon
Authorized Public Accountant
Auditor in charge

Auditor's report

To the general meeting of the shareholders of ASSA ABLOY AB (publ), corporate identity number 556059-3575

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of ASSA ABLOY AB (publ) except pages 49–61 and the statutory sustainability report for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 42–98 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 49–61. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Goodwill and other intangible assets with indefinite use of life

Description	How our audit addressed this key audit matter
The value of goodwill and other intangibles with an indefinite useful life as of 31 December 2021 amounted to 70,3 billion SEK. The Company performs an annual impairment test as well as whenever impairment indicators are identified. The recoverable amount for each cash-generating unit is determined as the value in use, which is calculated based on the discounted present value of future cash flows. Key assumptions in these calculations include forecast operating results, growth rates to extrapolate future cash flows and discount rates to be applied on future estimated cash flows. Applied discount rate (also referred to as" WACC- Weighted Average Cost of Capital") is presented in note 14. An impairment test is a complex process and contains a high degree of judgment regarding future cash flows and other assumptions, not least because it is based on estimates of how the Company´s business will be affected by future market developments and by other economic events. Therefore, we have assessed valuation of goodwill and other intangibles assets with an indefinite useful life to be a key audit matter.	In our audit we have evaluated and reviewed key assumptions, the application of recognized valuation practices, discount rate (and other source data that the Company has applied. Our evaluation has included comparing to external data sources, such as forecasts of inflation or assessment of future market growth and by evaluating the sensitivity in the Company´s valuation model. We have specifically focused on the sensitivity in the calculations and have made an independent evaluation of whether there is a risk that reasonably probable events would give rise to a situation where the value in use would be lower than the carrying amount. In this assessment, we have also compared the company's historical forecasts in the impairment tests with the amounts that is the actual outcome, in order to assess the company's historical precision in its estimates and assessments. We have included valuation experts with appropriate skills in the team performing our review. Finally, we have evaluated disclosures provided in note 14, specifically with regards to the disclosure of which of the stated assumptions that are most sensitive in calculating the value in use and the sensitivity analysis for those key assumptions.

Provisions – Restructuring programs

Description	How our audit addressed this key audit matter
The restructuring program is described in the Report of Board of Directors in the annual report in note 26. The outgoing balance as per December 31, 2021 amounts to 0,7 billion SEK. A provision for restructuring measures is recognized when the Group has established a detailed plan and either implementation has begun, or the main features of the measures have been communicated to the parties involved. In our audit we have focused on the recognition in the proper period and valuation of the restructuring provision as they require management's judgment and estimates. Because of the significant amount and considerable estimates involved, we have assessed restructuring provision to be a key audit matter.	We have reviewed the company´s process for identifying restructuring projects and the estimated costs for these projects. Our audit procedures include evaluating if the restructuring programs in all material respects are in line with the accounting principles for provisions, i.e. IAS 37. We have evaluated if there is an obligation that represent future obligations. We have challenged management´s assumptions that there are basis for the restructuring provisions with the aim of assessing the reasonability of the provisions. Based on risk and materiality, we have reconciled the parameters in the calculation against supporting documentation. This includes, among other things, the examination of minutes, agreements, calculations and communication with employees. We have evaluated management´s assessments of remaining cashflows by reviewing their quarterly project updates. Finally, we have evaluated the disclosures provided regarding restructuring activities in note 26.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages1–41, 99–101 and 108–113. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of ASSA ABLOY AB (publ) for the year 2021 (the financial year 2021-01-01-2021-12-31) and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A separate list of loans and collateral has been prepared in accordance with the provisions of the Companies Act.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for ASSA ABLOY AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report #[checksum] has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of ASSA ABLOY AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The auditor's examination of the ESEF report, continued

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 49–61 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s standard RevR 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor´s opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB with Hamish Mabon as auditor in charge, Box 7850, 103 99 Stockholm was appointed auditor of ASSA ABLOY AB (publ) by the general meeting of the shareholders on the 28 April 2021 and has been the company's auditor since the 29 April 2020.

Stockholm 4 Mars 2022
Ernst & Young AB

Hamish Mabon
Authorized Public Accountant

ASSA ABLOY as an investment

We are the global leader in access solutions. Since ASSA ABLOY was founded in 1994, we have created significant customer and shareholder value by continuously optimizing our production and developing new, innovative products that meet our customers' needs and demands. Below are the main reasons why we create customer and shareholder value.

+127%
sales growth in 10 years

+139%
EPS growth in 10 years

SEK 31 bn
dividend in 10 years

1 Good industry to be in – Strong underlying trends are driving increased demand for access solutions, including meeting the individual's most basic need for safety and security. The digitalization of the industry is enabling us to offer more convenient solutions and also shift to more service-based solutions offerings. At the same time, the demand for more sustainable and resilient ASSA ABLOY products is fuelled by the strong growth in green buildings and more sustainable urban environments around the world.

2 Leading market position – We have the largest installed base and the deepest know-how of locks and different access solutions in the world. This is continuously maintained and upgraded with new solutions. Two-thirds of our revenue is generated from the aftermarket, which provides us with a stable customer and revenue base. Our steady aftermarket makes us less vulnerable to the cyclical demand affecting many other industries.

3 Consistent profitable growth – Our revenue has grown by more than 9 percent annually during the last ten years, and the adjusted EBIT margin has been stable at above 16 percent, when excluding the years of the pandemic. We continue to focus on growing through customer relevance and being cost efficient in everything we do, which enables us to deliver consistent profitable growth. The shift to electromechanical products also allows us to grow in a profitable way long-term.

4 Investing in innovation – We invest about 4 percent of our revenue in R&D. Given the size of our business, this gives us a strong competitive advantage, both short and long term. Our innovation capacity is based on our common platforms and our global reach but also relies on the local competence of our innovation organization. The target for products launched in the past three years is to be 25 percent of our total sales.

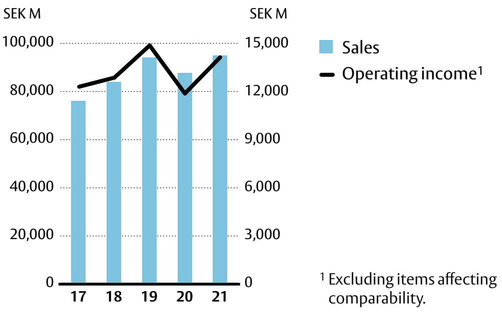
5 Strong acquisition record – We have acquired more than 300 companies globally since ASSA ABLOY was established in 1994. In many cases, the businesses are leading access providers in their respective markets with well-established customer bases and brands. After realizing synergies, we grow the businesses and increase their profitability and margins. This strategy has proven successful, and our acquired businesses have generated significant value following integration. In 2021 we announced the acquisition of the Hardware and Home Improvement business unit from Spectrum Brands, which adds about 15 percent in sales to ASSA ABLOY and constitutes an important strategic step in developing our residential business in North America.

6 Our trusted brands set us apart – We use multiple brands to make the most of our global and local strengths. Our Group and employer brand is ASSA ABLOY, and it is fast becoming the leading commercial brand for doors, locks, and related services. We also have strong master brands across our core businesses. These include Yale, one of the world's best-known residential lock brands, and HID Global, which leads the way in secure identities. In total, there are 130 endorsed brands within the Group that help us create and keep loyal customers across different markets and regions.

7 Operational efficiency – Our production is structured around local assembly lines close to the customer, adapted according to the local standards, with some strategic components concentrated to larger plants. This enables us to quickly supply our products efficiently to our customers. We also continue to optimize our supply chain, product setup, and footprint and work with lean processes and automation.

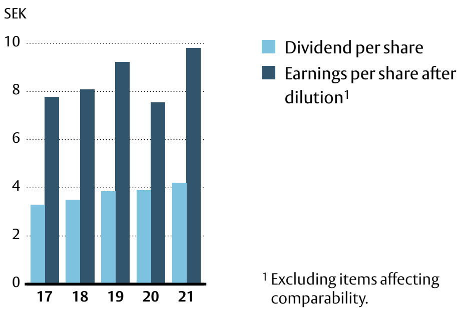
8 Leading sustainable solutions – We committed to science-based targets in 2020. This will further improve our competitiveness and provide sound business production and product development incentives. When we develop new products, our ambition is to minimize their environmental impact and embodied carbon footprint, while maximizing sustainability attributes, such as energy efficiency during the products' in-use phase and recycling once they reach their end of life.

Sales and operating income



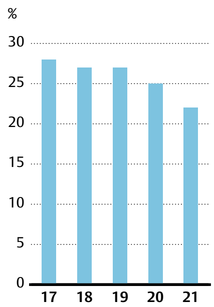
[1] Excluding items affecting comparability.

Dividend and earnings per share



[1] Excluding items affecting comparability.

New product ratio



The ASSA ABLOY share

Share price trend

Despite the negative impact of the Covid-19 pandemic for much of 2021, the stock market developed positively during most parts of the year. The peak of the stock market during the year was reached in December, when OMX Stockholm PI index had increased 35 percent.

The ASSA ABLOY share also had a positive development, reaching an all-time high on August 17. The markets contracted in September following uncertainties relating to supply reliability and higher raw material costs. After almost two months of a positive development, the markets turned negative again in late November due to uncertainties related to the new corona virus variant, Omicron, which put pressure on the stock markets. The stock market ended the year in a positive trend.

For the full year, the OMX Stockholm PI index increased 35 percent, while ASSA ABLOY's share price closed at SEK 276.20, an increase of 36 percent.

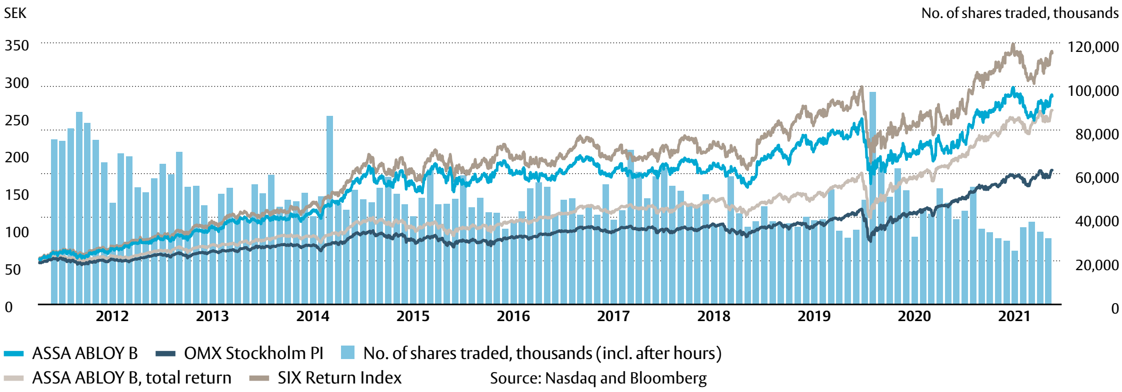
The highest closing price for ASSA ABLOY Series B during the year was SEK 288.20 recorded on 17 August 2021 and the lowest price of SEK 200.20 was recorded on 5 January 2021. At year-end, market capitalization amounted to SEK 307 294 M (225,297), calculated on both Series A and Series B shares.

Listing and trading

ASSA ABLOY's Series B share has been listed on Nasdaq Stockholm, Large Cap since November 8, 1994 under the code ASSA-B.ST. Turnover of the Series B share on Nasdaq Stockholm in 2021 amounted to 425 million shares (623), equivalent to a turnover rate of 40 percent (59).

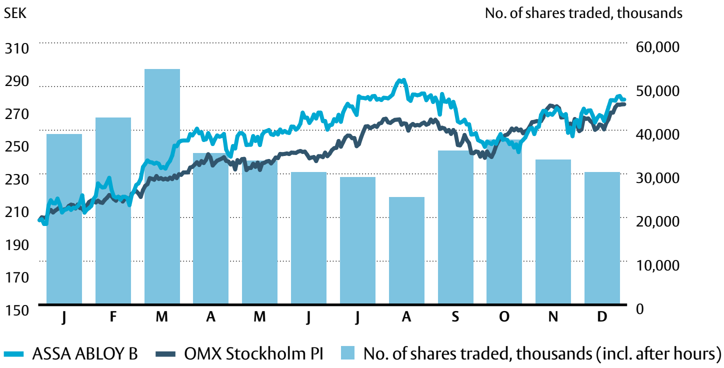
The implementation of the EU's Markets in Financial Instruments Directive (MiFID) in 2007 has changed the structure of equity trading in Europe and trading now takes place on both regulated markets and other trading platforms.

Share price and turnover 2012–2021



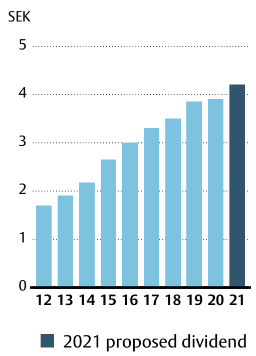
Source: Nasdaq and Bloomberg

Share price and turnover 2021



Source: Nasdaq and Bloomberg

Dividend per share 2012–2021



Data per share

SEK/share[1]	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Earnings after tax and dilution	4.66	4,95[2]	5.79	6.93	7.09[2]	7.77	8.09[2]	9.22[2]	7.54[2]	9.81
Dividend	1.70	1.90	2.17	2.65	3.00	3.30	3.50	3.85	3.90	4.20[3]
Dividend yield, %[4]	2.1	1.7	1.6	1.5	1.8	1.9	2.2	1.8	1.9	1.5
Dividend, %[5]	36.8	38.4	37.4	38.2	42.3	42.5	43.3	41.8	51.7	42.8
Share price at year-end	80.97	113.27	138.27	178.00	169.10	170.40	158.15	219.00	202.50	276.20
Highest share price	81.60	114.07	139.17	189.00	190.10	197.10	193.90	231.40	246.50	288.20
Lowest share price	57.23	79.33	105.63	135.00	148.40	163.80	155.85	154.45	159.35	200.20
Equity	23.29	25.94	32.50	37.43	42.51	45.60	46.71	53.25	53.00	62.64
Number of shares, millions[6]	1,112.6	1,112.6	1,112.6	1,112.6	1,112.6	1,112.6	1,112.6	1,112.6	1,112.6	1,112.6

[1] Adjustments made for new issues and stock split (3:1) in 2015 for all historical periods prior to 2015.
[2] Excluding items affecting comparability 2011, 2013, 2016, 2018-2020.
[3] Dividend proposed by the Board of Directors.
[4] Dividend as percentage of share price at year-end.
[5] Dividend as percentage of earnings per share after tax and dilution, excluding items affecting comparability.
[6] After full dilution.

Ownership structure

The number of shareholders at the end of 2021 was 45,698 (43,734) and the ten largest shareholders accounted for 36.1 percent (34.9) of the share capital and 56.4 percent (55.5) of the votes. Shareholders with more than 50,000 shares, a total of 395 shareholders, accounted for 98 percent (97) of the share capital and 98 percent (98) of the votes. Investors outside Sweden owned 67.3 percent (66.8) of the share capital, accounted for 45.9 percent (45.6) of the votes, and were mainly in the US and the UK.

ASSA ABLOY's ten largest shareholders

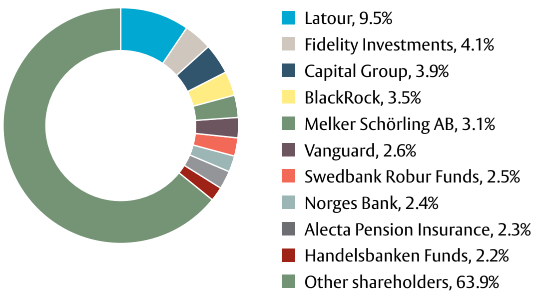
Based on the share register at 31 December 2021.

Shareholders	Series A shares	Series B shares	Total number of shares	Share capital[1], %	Votes[1], %
Investment AB Latour	41,595,729	63,900,000	105,495,729	9.5	29.4
Melker Schörling AB	15,930,240	18,120,992	34,051,232	3.1	10.9
Fidelity Investments		45,795,967	45,795,967	4.1	2.8
Capital Group		43,026,179	43,026,179	3.9	2.6
BlackRock		39,383,656	39,383,656	3.5	2.4
Vanguard		28,682,299	28,682,299	2.6	1.8
Swedbank Robur Funds		27,292,102	27,292,102	2.5	1.7
Norges Bank		27,143,780	27,143,780	2.4	1.7
Alecta Pension Insurance		25,822,000	25,822,000	2.3	1.6
Handelsbanken Funds		24,542,409	24,542,409	2.2	1.5
Other shareholders		711,340,981	711,340,981	63.9	43.6
Total number	**57,525,969**	**1,055,050,365**	**1,112,576,334**	**100.0**	**100.0**

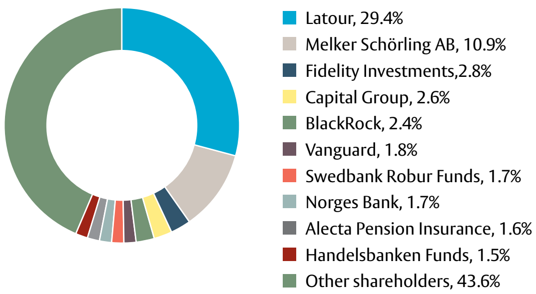
[1] Based on the number of outstanding shares and votes of 1,110,776,334 and 1,628,510,055 respectively, excluding shares held by ASSA ABLOY.

Source: Modular Finance AB and Euroclear Sweden AB.

Ownership structure (share capital)



Ownership structure (votes)



Share capital and voting rights

The share capital amounted to SEK 370,858,778 at year-end 2021, distributed among a total of 1,112,576,334 shares, comprising 57,525,969 Series A shares and 1,055,050,365 Series B shares. All shares have a par value of around SEK 0.33 and give shareholders equal rights to the company's assets and earnings. The total number of votes amounted to 1,630,310,055. Each Series A share carries ten votes and each Series B share one vote.

Repurchase of own shares

Since 2010, the Board of Directors has requested and received a mandate from the Annual General Meeting to repurchase and transfer ASSA ABLOY Series B shares. The aim has been, among other things, to secure the company's undertakings in connection with its long-term incentive programs (LTI). The 2021 Annual General Meeting authorized the Board of Directors to acquire, during the period until next Annual General Meeting, a maximum number of Series B shares so that after each repurchase ASSA ABLOY holds a maximum 10 percent of the total number of shares in the company.

ASSA ABLOY holds a total of 1,800,000 Series B shares after repurchase. The cost for these shares amounts to SEK 103 M. The shares account for around 0.2 percent of the share capital and each share has a par value of around SEK 0.33. No shares were repurchased in 2021.

Dividend and dividend policy

The objective of the dividend policy is that, in the long term, the dividend should be equivalent to 33–50 percent of income after standard tax, while always taking into account ASSA ABLOY's long-term financing requirements.

The Board of Directors proposes a dividend to shareholders of SEK 4.20 per share (3.90) for 2021. In order to facilitate a more efficient cash management, it is proposed that the dividend be paid in two equal installments, the first with the record date 29 April 2022 and the second with the record date 22 November 2022. If the proposal is adopted at the Annual General Meeting, the first installment is estimated to be paid on 4 May 2022 and the second installment on 25 November 2022.

The proposal is equivalent to a total dividend yield on the Series B share of 1.5 percent (1.9). In 2021 the total return on the ASSA ABLOY share, defined as market price movement plus reinvested dividends, was 38.5 percent compared with the reinvested SIX Return Index in Stockholm, which was up 39.3 percent. Over the ten-year period 2012–2021, the total return on ASSA ABLOY's Series B share was 471 percent, compared with the reinvested SIX Return Index in Stockholm, which increased by 372 percent.

Changes in share capital

Year	Transaction	Series A shares	Series C shares	Series B shares	Share capital, SEK[1]
1989			20,000		2,000,000
1994	Split 100:1			2,000,000	2,000,000
1994	Bonus issue				
1994	Non-cash issue	1,746,005	1,428,550	50,417,555	53,592,110
1996	New share issue	2,095,206	1,714,260	60,501,066	64,310,532
1996	Conversion of Series C shares into Series A shares	3,809,466		60,501,066	64,310,532
1997	New share issue	4,190,412		66,541,706	70,732,118
1998	Converted debentures	4,190,412		66,885,571	71,075,983
1999	Converted debentures before split	4,190,412		67,179,562	71,369,974
1999	Bonus issue				
1999	Split 4:1	16,761,648		268,718,248	285,479,896
1999	New share issue	18,437,812		295,564,487	314,002,299
1999	Converted debentures after split and new share issues	18,437,812		295,970,830	314,408,642
2000	Converted debentures	18,437,812		301,598,383	320,036,195
2000	New share issue	19,175,323		313,512,880	332,688,203
2000	Non-cash issue	19,175,323		333,277,912	352,453,235
2001	Converted debentures	19,175,323		334,576,089	353,751,412
2002	New share issue	19,175,323		344,576,089	363,751,412
2002	Converted debentures	19,175,323		346,742,711	365,918,034
2010	Converted debentures	19,175,323		347,001,871	366,177,194
2011	Converted debentures	19,175,323		349,075,055	368,250,378
2012	Converted debentures	19,175,323		351,683,455	370,858,778
2015	Split 3:1	57,525,969		1,055,050,365	370,858,778

[1] SEK 1 per share before split in 2015 – number of shares at the end of the period and around SEK 0.33 per share after split in 2015. Number of shares at the end of the period 1,112,576,334 (including repurchase of own shares).

Information for shareholders

Annual General Meeting

The ASSA ABLOY 2022 Annual General Meeting will be held on 27 April 2022 in Stockholm, Sweden. The notice to convene the Annual General Meeting will be made in the prescribed manner.

Nomination Committee

The Nomination Committee has the task of preparing, on behalf of the shareholders, proposals regarding the election of Chairman of the General Meeting, members of the Board of Directors, Chairman of the Board, Vice Chairman of the Board, auditor, fees for the board members including division between the Chairman, the Vice Chairman, and the other board members, as well as fees for committee work, fees to the company's auditor and any changes of the instructions for the Nomination Committee.

The Nomination Committee prior to the 2022 Annual General Meeting comprises Johan Hjertonsson (Investment AB Latour), Mikael Ekdahl (Melker Schörling AB), Marianne Nilsson (Swedbank Robur Fonder), Liselott Ledin (Alecta) and Yvonne Sörberg (Handelsbanken Fonder). Johan Hjertonsson is Chairman of the Nomination Committee.

Dividend

The Board of Directors proposes a dividend to shareholders of SEK 4.20 per share for the 2021 financial year. In order to facilitate a more efficient cash management, the dividend is proposed to be paid in two equal installments, the first with the record date 29 April 2022 and the second with the record date 22 November 2022. If the proposal is adopted by the Annual General Meeting, the first installment is estimated to be paid on 4 May 2022 and the second installment on 25 November 2022.

Financial calendar and contact details

Annual General Meeting and dividend

Annual General Meeting	27 April 2022
Shares traded excluding right to dividend of SEK 2.10	28 April 2022
Record day for dividend	29 April 2022
Payment of dividend	4 May 2022
Shares traded excluding right to dividend of SEK 2.10	21 November 2022
Record day for dividend	22 November 2022
Payment of dividend	25 November 2022

Financial reporting

Interim Report January–March 2022	27 April 2022
Half-year Report January–June 2022	19 July 2022
Interim Report January–September 2022	26 October 2022
Year-end Report 2022	3 February 2023

Further information

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ASSA ABLOY

About ASSA ABLOY

The ASSA ABLOY Group is the global leader in access solutions. The Group operates worldwide with 51,000 employees and sales of SEK 95 billion. The Group has leading positions in areas such as efficient door openings, trusted identities and entrance automation. ASSA ABLOY's innovations enable safe, secure and convenient access to physical and digital places. Every day, we help billions of people experience a more open world.

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