GUIDELINES FOR THE REMUNERATION OF IFS EXECUTIVE MANAGEMENT 2014

Adopted by the AGM 26 March 2014

The board endeavors a system of remuneration for executive management of IFS, including the CEO that is aligned with market terms and conditions and that is sufficiently competitive to be of interest to the qualified circle of employees that IFS wishes to attract and retain. The board seeks continuity and hence the guidelines below are essentially in line with the guidelines and remuneration principles from the previous year and are based on existing contracts between IFS and respective officers.

In view of the above the AGM has adopted, in accordance with the board's proposal, the following guidelines for remuneration of the president and other members of executive management for 2014:

- The guidelines deal with remuneration and other terms and conditions of employment of the executive management in IFS. The principles apply to employment contracts entered into after the resolution is adopted by the AGM and to changes made to existing terms and conditions after this point in time.
- Remuneration of executive management shall be aligned with market terms and conditions, shall be individual and differentiated, and shall support the interests of the stockholders. Remuneration principles shall be predictable, both in terms of costs for the company and benefits for the individual, and shall be based on factors such as competence, experience, responsibility and performance.
- Total remuneration paid to executive management shall consist of a basic salary, variable remuneration, an incentive program, pension contributions, and other benefits. The total annual monetary remuneration paid to each member of executive management, i.e., basic salary and variable remuneration, shall correspond to a competitive level of remuneration in the respective executive's country of residence.

Basic salary

The basic salary shall be on market terms and related to the officer's position, responsibility, competence, and experience.

Variable remuneration

Variable remuneration shall be linked to predetermined measurable criteria designed to promote long-term value generation in the company. The relationship between basic salary variable remuneration shall proportionate to the officer's responsibility and powers. Variable remuneration varies according to position.

The basis for the variable remuneration of the CEO and other members of executive management is established by the board and is based on individual goals linked to profitability goals set by the board for each year. When determining variable remuneration paid in cash to executive management, the board shall also consider introducing restrictions that:

- place conditions on part of such remuneration such that the performance on which the payments are based shall prove to be sustainable over time, and
- entitle the company to reclaim remuneration paid out on the basis of information that later proves to be obviously incorrect.

The limits for the maximum outcome for variable remuneration paid in cash shall be established. For 2014 the limits for the variable remuneration are unchanged from the previous year, as follows:

- For the *CEO*, the maximum variable remuneration shall not exceed 50 percent of the basic salary.
- For the *other members* of executive management, variable remuneration shall be payable in the interval 25–60 percent of the basic salary, based on achievement of 80–120 percent of individual goals.

If less than 80 percent of the targets are achieved, no variable remuneration shall be paid. If targets are fully achieved, the total remuneration paid by the company to executive management can amount to a maximum of approximately SKr 12 million, of which the variable annual remuneration for 2014 amounts to approximately SKr 3 million. If targets are exceeded, variable remuneration to the executive management can amount to a maximum of approximately SKr 4 million for 2014.

Long-term incentive program

At the AGM of 2014 a new incentive program was adopted on the basis of the same structure as the programs adopted by the AGMs of 2011, 2012, and 2013, under which the executive management, other officers, and key personnel of the IFS group are offered to acquire warrants in the company at market price. To stimulate participation in the program employees may be allotted, subject to certain conditions, up to three additional warrants free of charge for each warrant acquired at market price. More information on the incentive program follows below.

The board has made an evaluation of the principles of long-term incentive programs. In its evaluation the board has found that the adopted program, whilst meeting the requirements of the Swedish Corporate Governance Code adopted in 2010, in an appropriate manner creates conditions for retaining and recruiting competent personnel and contributes to increasing employee motivation. Therefore, the board considers that the introduction of the incentive program will benefit the group and the company's stockholders.

Other benefits

Other benefits are chiefly related to company cars and telephones and shall, where they exist, constitute a limited portion of the remuneration and be competitive in the local market.

Pension

Pension benefits shall correspond to a competitive level in the respective officer's country of residence. The CEO is entitled to a premium-based pension plan with a premium that is 20 percent of the basic salary. The retirement age for the executive management is 65, but with respect to the CEO he and the company are entitled to invoke the right to early retirement at the age of 64 (previously 62). In such a case, the CEO shall receive the equivalent of 60 percent of the basic salary until he is 65. Other members of executive management are included in IFS's premium-based special pension plan or corresponding pension plans.

Period of notice and severance payment

If the company terminates the employment, the period of notice is normally 6–12 months; if the officer terminates the employment, the period of notice is 3–6 months. If the company terminates an officer's employment, severance pay corresponding to a maximum of 12 months' salary may be paid in exceptional cases. In addition, variable remuneration is paid to the CEO during the period of notice in an amount corresponding to the variable remuneration paid during the immediately preceding year. The basic salary during the period of notice together with severance pay shall not exceed an amount corresponding to two years' basic salary.

The board of directors shall have the right to deviate from the above guidelines in individual cases if there is good reason to do so. In such an event, the board shall inform the immediately following AGM and explain the reason for the deviation.

INCENTIVE PROGRAM 2014

The AGM of 2014 adopted an incentive program which entails that executive management, other officers, and key personnel are offered the opportunity to acquire warrants in the company at market price. The price of the warrants will be established based on the Black & Scholes valuation model. The warrants shall be valued by independent valuers. Each warrant entitles to subscription of one new Series-B share during the period from publishing the interim report for the first quarter 2017 up to and including June 28, 2019 at a subscription price corresponding to 110 percent of the volume-weighted average price paid for the company's Series-B shares on Nasdaq OMX Stockholm during the period commencing on April 22, 2014 up to and including April 28, 2014.

In order to stimulate participation in the program, for each warrant acquired at market price the participant may be allotted a maximum of additional three warrants free of charge.

The number of warrants that participants can be allotted free of charge is dependent on the outcome of a performance condition linked to the company's earnings-per-share target during 2014 as determined by the board. The allocation of warrants free of charge will be made after the end of the financial year 2014 when the outcome of the 2014 earnings-per-share target has been determined. In connection to purchasing warrants, the participants will enter into agreements with IFS which gives IFS the right to repurchase warrants from the participant when leaving his or her employment with IFS. Exercise of the warrants free of charge is conditional upon that the participant holds the warrants acquired at market price up to the first day on which they are exercisable for subscription of Series-B shares as per the above.

The incentive program entails the issue of not more than 247,000 warrants. The right to subscribe for warrants shall accrue to wholly owned subsidiaries, which will transfer the warrants to current and future members of executive management, other officers, and key personnel. The board shall determine the distribution of the warrants according to the following guidelines: the company CEO shall be assigned no more than 74,100 warrants in total, other members of the executive management no more than 49,400 warrants in total, and other officers and key personnel no more than 24,700 warrants in total.

The total number of shares in the company is approximately 25 million. If all 247,000 warrants are exercised to subscribe for a maximum of 247,000 Series-B shares, the company's capital stock will increase by SKr 4,940,000, corresponding to approximately 1.0 per cent of the capital stock and 0.7 percent of the voting rights after dilution. Together with the warrants issued at the respective AGMs in 2011, 2012 and 2013, the four programs, on full subscription, can entail a dilution of approximately 2.7 percent of the existing capital stock and of approximately 1.9 percent of the voting rights. To minimize dilution and share price exposure resulting from the incentive program, the board intends, on the basis of mandates granted by the AGM, to purchase Series-B shares in the company in an amount corresponding to the number of warrants issued within the framework of the incentive program.

The program will be accounted for in accordance with IFRS 2 which stipulates that the warrants should be recorded as a personnel expense in the income statement during the vesting period. Based on the assumptions of a share price of SKr 177.00 (closing share price of the IFS Series-B share on February 19, 2014), a subscription price of 194.70, a maximum participation and a maximum fulfillment of the performance condition, the cost for the program, including financing costs and social charges, is estimated at approximately SKr 4 million. The cost will be allocated over the years 2014–2017.

Social security costs will be recorded as a personnel expense in the income statement by current reservations. The social security costs are estimated to around SKr 0.6 million with the assumptions above and an average social security tax rate of 17 percent and a share price increase of 10 percent from issuance up to the allotment of the warrants free of charge.

If the program had been introduced 2013 with the assumptions above, the earnings-per-share would result in a decrease by 0.7 percent.

The program administration cost is estimated at SKr 0.3 million, allocated over the years 2014–2017.

The average annual cost of the program including social charges is estimated to approximately SKr 1.4 million assuming the above assumptions. This cost can be related to the company's total personnel costs, including social charges, of SKr 1,665 million in 2013.

The incentive program has been prepared by the board and has been dealt with at board meetings during the winter of 2013/14.

The purpose of the incentive program is to create conditions for retaining and recruiting competent personnel and to increase employee motivation. The board considers that the introduction of the incentive program will benefit the group and the company's stockholders.

The AGM also adopted the above principles to apply when transferring subscription warrants and shares in connection with the exercise of warrants in accordance with Chapter 16, Section 4 of the Swedish Companies Act (2005:551). It also approved the transfer of shares in the event that the incentive program requires that call options be issued to comply with specific legislation or market conditions internationally.

The board shall be responsible for the exact wording and management of the incentive program within the framework of the given terms and conditions, and guidelines. In connection with this, the board shall have the right to make adjustments to fulfill particular legislation or market conditions internationally.

For information on IFS's other equity-related incentive programs, reference is made to the annual report for 2013, Note 34.