

Annual General Meeting of Saab AB (publ) on 7 April 2011

**The Board's proposal for resolution on guidelines for remuneration and other terms of employment for senior executives**

**Agenda Item 14**

**Background and reasons**

The Remuneration Committee has evaluated the application of the guidelines for remuneration for senior executives of Saab that were resolved at the Annual General Meeting in 2010 and the current remuneration structures and remuneration levels in the Company.

The Remuneration Committee has thereby analyzed and evaluated the effectiveness and relevance of the short-term variable remuneration (Short Term Incentive, "STI") for senior executives. Saab's operations are mainly characterized by the development of technically advanced products and systems. They are marketed, further developed, produced and maintained during long periods of time, in some cases three to four decades, and generally entail substantial investments and long-term customer relations all over the world. The Remuneration Committee's evaluation shows that short-term quantitative and qualitative targets in Saab's operations are difficult to evaluate and measure. Long-term projects can only to a very limited degree be affected by an individual in the short term. The Remuneration Committee considers that it is important that senior executives have a long-term view and a long-term commitment in the Company's operations and profits, and that therefore long-term incentive is especially well suited to Saab and its shareholders.

The evaluation of the Long-Term Performance Share Plan has shown that the level of enrolment has decreased in the most recent programs. The conclusion of the evaluation is that the Performance Share Plan should be amended in order to achieve its purpose and have a positive effect on business and thus counterbalance the costs of the program.

As a result of the evaluation of the total compensation package for senior executives, the Remuneration Committee proposes to discontinue with the STI and replace them with revised long-term incentive programs together with an adjusted fixed salary.

The suggested revision of the long-term incentive programs in principal means that the number of shares that can be earned in the Performance Share Plan is reduced by one share and is replaced with one matching share without performance requirement. The savings amount allowed in the Performance Share Plan is maximized to 7.5 per cent of the gross salary. However, of the 7.5

per cent, only an amount of maximum 5 per cent of the gross salary can be the basis for allocation of matching shares. Technically this revision is accomplished by participants in the Performance Share Plan also enrolling in the Share Matching Plan that is open to all employees. The total savings amount however can never exceed 7.5 per cent of the gross salary.

The Remuneration Committee further proposes that the fixed salary for senior executives is adjusted in such a way that the adjustment will constitute reasonable compensation for the future loss of remuneration from the STI considering the historical outcome of such remuneration.

In light of the above, the Board of Directors proposes the following guidelines for remuneration of senior executives.

### **Guidelines**

The Group Management and senior executives comprise the President and Chief Executive Officer and other members of the Group Management. The members of this group are presented on the Company's website. In some special cases, these guidelines may also comprise Board Members of Saab AB, as described below.

Saab shall offer market terms, enabling the Company to recruit and retain senior executives. To the greatest extent possible, remuneration structures shall be characterized by predictability with respect to both the cost for the Company and the benefit for the employee. They shall be based on factors such as position, competence, experience and performance. Benchmarking shall be practiced regularly relative to comparable industries and markets.

The Board shall be entitled to divert from the guidelines, if there are reasonable grounds to do so in an individual case.

The Board's proposal is based mainly on agreements in effect between Saab AB and individual executives. No board fees are paid to members of the Group Management for participation on the boards of the business areas or Saab subsidiaries.

The Remuneration Committee is responsible for developing and reviewing remuneration and other employment terms for the Group Management.

These guidelines apply from the Annual General Meeting 2011. In terms of fixed salary, the guidelines shall apply from 1 January 2011.

#### *Fixed remuneration*

Cash remuneration shall consist of fixed salary. The fixed salary shall be reviewed annually as per 1 January for all members of the Group Management.

The fixed salary shall be at market terms and based on factors such as position, competence, experience and performance.

*Variable remuneration*

It is important that senior executives have a long-term view and a long-term commitment in the Company's operations and profits. Therefore long-term incentive is especially well suited to Saab and its shareholders.

The President and CEO and senior executives are entitled to participate in the long-term incentive programs resolved by the Annual General Meeting.

In extraordinary cases, agreements of a one-time nature for variable cash remuneration may be made provided that such agreements are made solely on an individual base for recruitment or retention purposes only, or as compensation for extraordinary efforts beyond the individual's ordinary assignment. Such remuneration shall never exceed the amount of the fixed annual salary and shall not be paid more than once a year per individual. Resolutions on such cash remuneration shall be made by the Board based on a proposal from the Remuneration Committee.

Variable cash remuneration shall not be paid in other cases.

*Other benefits*

All members of the Group Management are entitled to a company car according to Saab's regulations.

*Pension*

For pension agreements entered into after 1 January 2005, the pension age is 62. In addition to the ITP agreement, the pension is part of a defined contribution plan where provisions are made annually. For the President and CEO, the provision is equivalent to 35 per cent of his fixed salary, and for other executives the percentage is based on a set of regulations in the so-called Saab plan. The percentage is dependent on the number of years remaining until the age of retirement upon joining the plan.

*Miscellaneous terms*

Executives in the Group Management, including the President, may terminate their employment with six months' notice. If the employment is terminated by Saab, the notice period is six months, and after the notice period, severance equal to one year's salary is paid. An additional year's salary is payable if no new employment has been obtained in the first 18 months from the time the notice of termination was served.

With respect to employment agreements made after 1 January 2005, and in cases where Saab terminates the employment, a maximum severance pay of 18 months is payable in addition to the six-month notice period. In both cases, any

income from termination pay and severance pay will be deducted against income from other employment during the corresponding time.

*Remuneration to Board Members*

Board Members, elected by the Shareholders' Meeting, may in special cases receive a fee for services performed within their respective areas of expertise, separately from their Board duties and for a limited period time. Compensation for these services shall be paid at market terms.

*Incentive programs proposed to the Annual General Meeting 2011*

The Board of Directors proposes that the Annual General Meeting resolves on the implementation of a Share Matching Plan 2011 and a Performance Share Plan 2011.

The terms and estimated costs for the Share Matching Plan 2011 and the Performance Share Plan 2011 will be presented in the Board's complete proposal to the Annual General Meeting.

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Deviations from the guidelines resolved by the Annual General Meeting 2010, see Attachment.

**Linköping in March 2011**  
**The Board of Directors**

**Deviation from the guidelines for remuneration for executive managers resolved at the Annual General Meeting 2010**

On one occasion, the Board of Directors resolved to pay an extra variable remuneration to two members of the Group Management, with a total amount of SEK 940 000 before tax. The reason for this remuneration was to compensate for these individuals' extraordinary efforts for Saab during 2010, work that was beyond their ordinary assignment.