

## Annual General Meeting of Saab AB on 14 April 2016

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

#### **Agenda item 12**

#### **Background and reasons**

The Remuneration Committee has evaluated the application of the guidelines for remuneration to senior executives of Saab AB that were resolved at the Annual General Meeting in 2015 and the current remuneration structures and remuneration levels in the Company. The Remuneration Committee is of the opinion that the guidelines that were resolved in 2015 achieve their purposes to facilitate the recruitment and retention of senior executives.

The Remuneration Committee has recommended the Board of Directors to propose to the Annual General Meeting to adopt principles of remuneration with in principle the same content as those that were resolved at the Annual General Meeting in 2015. Certain clarifications are proposed in the guidelines concerning pension and miscellaneous terms.

In light of the above, the Board of Directors proposes that the Annual General Meeting resolves on the following guidelines for remuneration and other terms of employment for senior executives.

#### **Guidelines**

The senior executives comprise the President 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 characterised 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 made regularly relative to comparable industries and markets.

The Board's proposal is based mainly on agreements in effect between Saab AB and individual executives. No board fees are to be 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.

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

These guidelines apply from the Annual General Meeting 2016.

#### 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

Saab's operations are mainly characterised by the development of technically advanced products and systems. Products are marketed, further developed, produced and maintained during long periods of time, in some cases three to four decades, which generally entails substantial investments and long-term customer relations all over the world. Consequently, 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 long-term variable remuneration consists of share based incentive programs.

The President and senior executives are entitled to participate in the long-term share based incentive programs resolved by the Shareholders' 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 basis for recruitment or retention purposes only, or as compensation for extraordinary efforts beyond the individual's ordinary assignment, and that 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 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.

#### Incentive programs proposed to the Annual General Meeting 2016

The Board of Directors proposes that the Annual General Meeting resolves on a long-term incentive program, consisting of Share Matching Plan 2016 and Performance Share Plan 2016 ("LTI 2016").

The terms and estimated costs for the LTI 2016 are presented in the Board's complete proposal to the Annual General Meeting.

#### Other benefits

All members of the Group Management may be entitled to other benefits in

accordance with local practice. The benefits shall contribute to facilitating the executive's discharge of his or her duties. These benefits shall not constitute a material part of the total compensation and shall be equivalent to what is considered reasonable in relation to market practice. Other benefits may for example be a company car, travels, overnight accommodation and medical insurance.

### Pension

For pension agreements entered into after 1 January 2005, the pension age is minimum 62 years. In addition to the ITP agreement, the pension is part of a defined premium based contribution plan where provisions are made annually. For the President, the provision is equivalent to maximum 35 per cent of the fixed salary. For other senior executives the percentage is based on a set of regulations in the so-called Saab plan. According to this plan, the percentage is dependent on the number of years remaining until the age of retirement upon joining the plan. The aggregate insurance balance should cover a targeted pension from 65 years of age of approximately 32.5 per cent of salary levels between 20 and 30 basic income amounts and approximately 50 per cent of segments above 30 basic income amounts.

All senior executives may also be entitled to strengthened disability pension and survivors' pension.

### Miscellaneous terms

All 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 during 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 can be payable in addition to the normal six-month notice period. The notice period and severance pay in total shall not exceed 24 months.

In both cases, any income from termination pay and severance pay will be deducted against income from other employment during the corresponding time.

### Consultant fees to Board Members

Saab AB 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 of time. Compensation for these services shall be paid at market terms.

### Information in the Annual Report note 10

Note 10 of the Annual Report includes a description of existing remunerations for

senior executives, including fixed and variable compensation, long-term incentive programs and other benefits.

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Deviation from guidelines for remuneration to senior executives resolved by the Annual General Meeting 2015

The Board of Directors has deviated from the guidelines during 2015.

In connection with the adjustments in the Business Area structure a settlement was made with a senior executive. As a part of the settlement it was agreed that any income that the Senior Executive may have from other employment during the period for termination- and severance payment from Saab, shall not reduce the payments from Saab during the corresponding time.

**Linköping in March 2016**

**The Board of Directors of Saab Aktiebolag (publ)**