

Annual General Meeting of Saab AB on 13 April 2021

Agenda item 13

BOARD OF DIRECTORS' REMUNERATION REPORT 2020

Introduction

This remuneration report provides an outline of how Saab Aktiebolag's (reg. no 556036-0793) ("Saab") guidelines for remuneration and other terms of employment for senior executives (the "remuneration guidelines"), adopted by the Annual General Meeting 2020, have been implemented in 2020. The report also provides details on the remuneration of Saab's CEO and deputy CEOs. In addition, the report contains a summary of Saab's outstanding long-term share-related incentive programs. The report has been prepared in compliance with Chapter 8, Sections 53 a and 53 b of the Swedish Companies Act (2005:551) and the Rules on Remuneration of the Board and Executive Management and on Incentive Programmes (1 January 2021) issued by the Swedish Corporate Governance Board.

Information required by Chapter 5, Sections 40-44 of the Annual Accounts Act (1995:1554) is available in note 8 on p. 115-119 in the company's Annual Report for 2020 (the "Annual Report 2020").

Information on the work of the Remuneration Committee in 2020 is set out in the corporate governance report, which is available on p. 84-89 in the Annual Report 2020.

Remuneration of the Board of Directors is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and disclosed in note 8 on p. 115-119 in the Annual Report 2020.

Key Developments 2020

The CEO summarises Saab's overall performance in 2020 in the statement on p. 4-5 in the Annual Report 2020.

Remuneration guidelines: scope, purpose and deviations

A prerequisite for the successful implementation of Saab's business strategy and safeguarding of Saab's long-term interests, including its sustainability, is that Saab is able to recruit and retain senior executives. To this end, it is necessary that Saab offers a competitive total remuneration on market terms, adapted to Saab's development and situation, which the remuneration guidelines enable. To the greatest extent possible, remuneration structures shall be characterised by predictability with respect to both the cost for Saab 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. Under the remuneration guidelines, remuneration to senior executives may consist of fixed cash salary, other benefits and pension benefits. Saab does not normally offer any short-term variable cash remuneration to the CEO or other members of the group management, including the deputy CEOs. Instead, the variable remuneration consists of long-term share based incentive programs, which are adopted by the shareholders' meeting and not subject to the remuneration guidelines.

The remuneration guidelines are available on p. 94-97 in the Annual Report 2020. During 2020, Saab has complied with the applicable remuneration guidelines adopted by the Annual General Meeting and no derogations or deviations have been made from the remuneration guidelines or from the decision-making process which, pursuant to the guidelines, is to be applied in order to set remuneration. The auditor's report regarding whether the company has complied with the remuneration guidelines is available on the company's website www.saab.com/agm. No remuneration has been reclaimed.

Remuneration Committee evaluation

The Remuneration Committee has evaluated the remuneration to the senior executives of Saab, including long-term variable remuneration, the application of the remuneration guidelines adopted by the Annual General Meeting 2020, as well as the current remuneration structures and remuneration levels in the company.

The Remuneration Committee is of the opinion that the remuneration guidelines adopted by the Annual General Meeting 2020 achieve their purposes to facilitate the recruitment and retention of senior executives.

The Remuneration Committee has reviewed an external market analysis and is of the opinion that the remuneration to senior executives generally is in line with the applicable levels in industries and markets comparable to Saab.

Overall, the Remuneration Committee is of the opinion that the current remuneration structure and the remuneration levels in the company are in line with market competitive levels.

As recommended by the Remuneration Committee, the Board of Directors proposes that the Annual General Meeting 2021 adopts remuneration guidelines with in principle the same content as those that were adopted by the Annual General Meeting 2020. However, a change is proposed in respect of pension as a market adjustment of the pension benefits for new senior executives.

Total remuneration

Table 1 below sets out total remuneration paid to Saab's CEO and deputy CEOs during 2020 (SEK).

Name of Director, (position)	1 Fixed remuneration		2 Variable remuneration		3 Extraordinary items	4 Pension expense ⁴	5 Total remuneration	6 Proportion of fixed and variable remuneration
	Base salary ¹	Other benefits ²	[One-year variable]	Multi-year variable ³				
Micael Johansson, CEO ⁵	12,866,059	172,034	-	1,586,048	-	4,819,063	19,443,204	92%/18%
Anders Carp, deputy CEO, from 5 May 2020	3,005,100	74,649	-	914,048	-	1,102,534	5,096,331	82%/18%
Christian Luiga, deputy CEO, from 14 September 2020	2,224,315	12,004	-	-	-	1,003,811	3,240,130	100%/-
Magnus Örnberg, deputy CEO, up to 8 May 2020	4,922,244 ⁶	366,720	-	1,772,434	-	1,306,078 ⁷	8,367,476	79%/21%

¹ The base salary includes monthly salary, holiday pay and compensation for the additional tax cost of certain benefits.

² Other benefits includes benefits such as company car, health insurance, housing, travels, tax assistance and taxable allowances.

³ Multi-year variable consists of shares that vested under the long-term incentive programs during 2020.

⁴ Pension expenses according to collective agreements and according to the Saab-plan for senior executives. The long-term incentive programmes do not qualify for pension benefits.

⁵ The former President Håkan Buskhe, who left his position as CEO on 22 October 2019, has during 2020 received multi-year variable remuneration consisting of shares that vested under the long-term incentive programs during 2020. In accordance with the terms of the long-term incentive programmes, the Board of Directors resolved in 2019 that outgoing President Håkan Bushke has the right to participate in future matches in all ongoing incentive programmes, i.e. the Share Matching Plan, Performance Share Plan and Special Projects Incentive, which he participated in at the time of his termination as President. Shares in these plans will be allotted or matched on the scheduled dates, but the remuneration was expensed in its entirety in 2019, representing SEK 17,826,016 of the total remuneration for share related plans of SEK 25,696,377.

⁶ The base salary includes the salary during the period of notice 9 May 2020 until 31 August 2020, and final salary pay.

⁷ The pension expense includes pension premiums during the notice period 9 May 2020 until 31 August 2020.

Share based remuneration

Background share and share-price related incentive programs

Saab's Annual General Meetings have adopted long-term incentive programs ("LTI") that currently are outstanding. Each of the four long-term incentive programs adopted in 2017-2020 consists of three parts, a Share Matching Plan, a Performance Share Plan and a Special Projects Incentive.⁸ The respective Share Matching Plan is for all employees, whereas the respective Performance Share Plan and the respective Special Projects Incentive are for senior executives and other key employees.

Taking into account the outcome of the performance conditions and the number of remaining participants in each plan, the number of shares that may vest in all outstanding long-term incentive programs amounts to 2,107,000 per 31 December 2020. LTI 2021 started in January 2021 and the maximum number of shares that may vest under LTI 2021 amounts to 1,135,000 shares.

The long-term incentive program LTI 2016, adopted by the Annual General Meeting 2016, was completed in February 2021 and consisted of a Share Matching Plan and a Performance Share Plan.

The long-term incentive program LTI 2015, adopted by the Annual General Meeting 2015, was completed during 2020 and consisted of a Share Matching Plan and a Performance Share Plan.

Share Matching Plans

Employees who participate in a Share Matching Plan may during a twelve-month period save up to a maximum of 5 per cent of the cash base salary for the purchase of shares of series B. If the purchased shares are retained by the employee for three years from the date of investment and employment within the Saab Group has not been terminated during the entire three-year period, the employee will be allocated a corresponding number of shares of series B free of consideration.

Performance Share Plans

Employees who participate in a Performance Share Plan may during a twelve-month period save up to a maximum of 7.5 per cent of the cash base salary for the purchase of shares of series B. If the purchased shares are retained by the employee for three years from the date of investment and employment within the Saab Group has not been terminated during the entire three-year period, the employee will be entitled to matching of performance shares, free of consideration, as set out below.

- The CEO may be entitled to a performance match of up to seven shares for each purchased share;
- the deputy CEOs may be entitled to a performance match of up to five shares for each purchased share; and
- other employees may be entitled to a performance match of up to two, four or five shares for each purchased share.

⁸ LTI 2021 was adopted by the Annual General Meeting 2020; LTI 2020 was adopted by the Annual General Meeting 2019; LTI 2019 was adopted by the Annual General Meeting 2018; and LTI 2017/2018 was adopted by the Annual General Meeting 2017.

The conditions for the performance matching are based on three independent targets; which for LTI 2020, LTI 2019, and LTI 2017/2018 are organic sales growth⁹ (relative weighting 30 per cent), EBIT margin¹⁰ (relative weighting 40 per cent) and free cash flow¹¹ (relative weighting 30 per cent) which are measured during one financial year. For LTI 2021, the same targets are used but the relative weighting for EBIT margin is 30 per cent, whereas the relative weighting for free cash flow is 40 per cent.

Remuneration from Share Matching Plans and Performance Share Plans¹²

Under Share Matching Plan 2015 and Performance Share Plan 2015, after the end of the one-year performance measuring period i.e. the financial year 2016, the Board of Directors resolved in February 2017, on a 56% allocation of performance shares to the participants.

- **The CEO Micael Johansson** was entitled to 88 matching shares and 246 performance shares at the time of the vesting that occurred in February 2020 and corresponded to a value of SEK 101,618.
- **The deputy CEO Anders Carp** was entitled to 53 matching shares and 59 performance shares at the time of the vesting that occurred in February 2020 and corresponded to a value of SEK 34,295.
- **The former deputy CEO Magnus Örnberg** was entitled to 118 matching shares and 493 performance shares at the time of the vesting that occurred in February 2020 and corresponded to a value of SEK 185,404.

Under Share Matching Plan 2016 and Performance Share Plan 2016, after the end of the one-year performance measuring period i.e. the financial year 2017, the Board of Directors resolved in February 2018, on a 47% allocation of performance shares to the participants.

- **The CEO Micael Johansson** was entitled to in total 500 matching shares and 1,522 performance shares in the vesting in May, August and November 2020 and 112 matching shares and 393 performance shares in the vesting that occurred in February 2021. The total value of the vested matching shares and performance shares at the time of the vesting corresponded to a value of SEK 603,582.
- **The deputy CEO Anders Carp** was entitled to in total 310 matching shares and 764 performance shares in the vesting in May, August and November 2020 and 70 matching shares and 245 performance shares in the vesting that occurred in February 2021. The total value of the vested matching shares and performance shares at the time of the vesting corresponded to a value of SEK 335,407.
- **The former deputy CEO Magnus Örnberg** was entitled to in total 541 matching shares and 1,905 performance shares in the vesting in May, August and November 2020 and 112 matching shares and 393 performance shares in the vesting that occurred in February 2021. The total value of the vested matching shares and performance shares at the time of the vesting corresponded to a value of SEK 707,083.

⁹ Adjusted for acquisitions and divestments, and exchange rates differences.

¹⁰ Adjusted for acquisitions and divestments, and non-recurring items.

¹¹ Adjusted for acquisitions and divestments, and non-recurring items.

¹² From 2017, the plans are designated by calendar year, which corresponds to the savings period. Therefore there are no Share Matching Plan 2017 nor Performance Share Plan 2017.

Under Share Matching Plan 2018 and Performance Share Plan 2018, after the end of the one-year performance measuring period i.e. the financial year 2018, the Board of Directors resolved in February 2019, on a 75% allocation of performance shares to the participants.

- **The CEO Micael Johansson** is entitled to in total 617 matching shares and 3,608 performance shares in the vesting in May, August and November 2021 and 134 matching shares and 781 performance shares in the vesting that will occur in February 2022.
- **The deputy CEO Anders Carp** is entitled to in total 381 matching shares and 2,228 performance shares in the vesting in May, August and November 2021 and 83 matching shares and 483 performance shares in the vesting that will occur in February 2022.
- **The former deputy CEO Magnus Örnberg** is entitled to in total 615 matching shares and 3,599 performance shares in the vesting in May, August and November 2021 and 133 matching shares and 776 performance shares in the vesting that will occur in February 2022.

Under Share Matching Plan 2019 and Performance Share Plan 2019, after the end of the one-year performance measuring period i.e. the financial year 2019, the Board of Directors resolved in February 2020, on an 88% allocation of performance shares to the participants.

- **The CEO Micael Johansson** is entitled to in total 734 matching shares and 4,844 performance shares in the vesting in May, August and November 2022 and 328 matching shares and 3,030 performance shares in the vesting that will occur in February 2023.
- **The deputy CEO Anders Carp** is entitled to in total 458 matching shares and 3,022 performance shares in the vesting in May, August and November 2022 and 88 matching shares and 578 performance shares in the vesting that will occur in February 2023.
- **The former deputy CEO Magnus Örnberg** is entitled to in total 725 matching shares and 4,787 performance shares in the vesting in May, August and November 2022 and 139 matching shares and 915 performance shares in the vesting that will occur in February 2023.

Under Share Matching Plan 2020 and Performance Share Plan 2020, after the end of the one-year performance measuring period i.e. the financial year 2020, the Board of Directors resolved in February 2021, on a 38% allocation of performance shares to the participants.

- **The CEO Micael Johansson** is entitled to in total 2,104 matching shares and 8,397 performance shares in the vesting in May, August and November 2023 and 448 matching shares and 1,787 performance shares in the vesting that will occur in February 2024.
- **The deputy CEO Anders Carp** is entitled to in total 678 matching shares and 1,933 performance shares in the vesting in May, August and November 2023 and 163 matching shares and 465 performance shares in the vesting that will occur in

February 2024.

- **The former deputy CEO Magnus Örnberg** is entitled to 395 matching shares and 1,125 performance shares in the vesting that will occur in May 2023.
- **The deputy CEO Christian Luiga** is entitled to 264 matching shares and 751 performance shares in the vesting that will occur in November 2023 and 280 matching shares and 798 performance shares in the vesting that will occur in February 2024.

Background Special Projects Incentives

Participation in each Special Projects Incentive presupposes savings under the Performance Share Plan for the relevant year or under the Share Matching Plan for the relevant year for purchasing shares of series B. For the CEO and the deputy CEOs, allotment of performance shares under each Special Projects Incentive requires savings by an amount equivalent to 7.5 per cent of the cash base salary under the Performance Share Plan for the relevant year (i.e. maximum saving). Participants in the Special Projects Incentive will be entitled to allotment of performance shares, free of consideration, as set out below.

- The CEO may be entitled to allotment of performance shares corresponding to up to 52.5 per cent of the cash base salary for the relevant financial year;
- the deputy CEOs may be entitled to allotment of performance shares corresponding to up to 37.5 per cent of the cash base salary for the relevant financial year; and
- other employees may be entitled to allotment of performance shares corresponding to up to 37.5 or 15 per cent of the cash base salary for the relevant financial year.

The total value of allotted performance shares under the Performance Share Plan and the Special Projects Incentive for each year may not exceed 75 per cent for the CEO and 60 per cent for the respective deputy CEO of the cash base salary for the relevant financial year. This so called cap has been applied to SPI 2018 and SPI 2019 and reduced the number of allotted shares.

The conditions for allotment of performance shares under each Special Projects Incentive are based on the achievement of eight equally weighted performance targets for LTI 2020, LTI 2019, LTI 2018 and LTI 2017 and of ten equally weighted performance targets for LTI 2021. The performance targets consist of operational targets and milestones in special projects within the product areas Gripen, airborne radar systems (AEW&C), submarines for LTI 2020, LTI 2019, LTI 2018 and LTI 2017. For LTI 2021 the targets are related to the product areas Gripen, airborne radar systems (AEW&C), submarines, missiles, combat management systems and advanced pilot training systems. The performance targets may be related to e.g. product design review, customer design review, partial deliveries, system implementation, construction and design approvals, physical delivery of key subsystems or maiden flight of new platform. The performance period is one financial year. All participants will be allotted performance shares based on the achievement of the same performance targets.

Remuneration from Special Projects Incentives

Under Special Projects Incentive 2017, after the end of the one-year performance measuring period i.e. the financial year 2017, the Board of Directors resolved in February 2018, on an outcome of 87.5% of the aggregate performance targets. The performance shares were vested on 18 May 2020.

- **The CEO Micael Johansson** was allotted entitlement of 4,528 performance shares, corresponding to a value of SEK 994,348 at the time of vesting.
- **The deputy CEO Anders Carp** was allotted entitlement of 2,801 performance, corresponding to a value of SEK 615,099 at the time of vesting.
- **The former deputy CEO Magnus Örnberg** was allotted entitlement of 4,524 performance shares, corresponding to a value of SEK 993,470 at the time of vesting.

Under Special Projects Incentive 2018, after the end of the one-year performance measuring period i.e. the financial year 2018, the Board of Directors resolved in February 2019, on an outcome of 100% of the aggregate performance targets. The performance shares were vested on 19 February 2021.

- **The CEO Micael Johansson** was allotted entitlement of 4,823 performance shares, corresponding to a value of SEK 1,082,763 at the time of vesting.
- **The deputy CEO Anders Carp** was allotted entitlement of 2,979 performance, corresponding to a value of SEK 668,785 at the time of vesting.
- **The former deputy CEO Magnus Örnberg** was allotted entitlement of 4,811, corresponding to a value of SEK 1,080,069 at the time of vesting.

Under Special Projects Incentive 2019, after the end of the one-year performance measuring period i.e. the financial year 2019, the Board of Directors resolved in February 2020, on an outcome of 75% of the aggregate performance targets. The performance shares will vest in February 2022.

- **The CEO Micael Johansson** was allotted entitlement of 5,829 performance shares.
- **The deputy CEO Anders Carp** was allotted entitlement of 2,831 performance shares.
- **The former deputy CEO Magnus Örnberg** was allotted entitlement of 4,484 performance shares.

Under Special Projects Incentive 2020, after the end of the one-year performance measuring period i.e. the financial year 2020, the Board of Directors resolved in February 2021, on an outcome of 62.5% of the aggregate performance targets. The performance shares will vest in February 2023.

- **The CEO Micael Johansson** was allotted entitlement of 17,284 performance shares.
- **The deputy CEO Anders Carp** was allotted entitlement of 4,165 performance shares.
- **The former deputy CEO Magnus Örnberg** was allotted entitlement of 1,893 performance shares.
- **The deputy CEO Christian Luiga** was allotted entitlement of 2,290 performance shares.

Application of performance criteria during 2020

After the end of the one-year performance period for the Performance Share Plan 2020, on 31 December 2020, it was determined that the targets had partly been achieved and the Board of Directors approved performance matching in February 2021 as follows.

Table 2 – Performance of the CEO and the deputy CEOs in the reported financial year: share-based incentives

Performance Share Plan 2020	Reported outcome	Outcome performance targets, %	Weighted, %	Allotment, %
Organic sales growth ¹³	1%	26	30	8
EBIT margin ¹⁴	7.4%	0	40	0
Free cash flow ¹⁵	2,495 MSEK	100	30	30
Total allotment				38

The measured performance, i.e. total allotment, resulted in an actual award based on an average share price of SEK 236.94¹⁶, for:

- **the CEO Micael Johansson** of 10,185 shares, corresponding to a value of SEK 2,413,234, whereof SEK 508,049 pertains to organic sales growth, SEK 0 to EBIT margin and SEK 1,905,185 to free cash flow;
- **the deputy CEO Anders Carp** of 2,399 shares, corresponding to a value of SEK 568,419, whereof SEK 119,667 pertains to organic sales growth, SEK 0 to EBIT margin and SEK 448,752 to free cash flow;
- **the deputy CEO Christian Luiga** of 1,549 shares, corresponding to a value of SEK 367,020, whereof SEK 77,267 pertains to organic sales growth, SEK 0 to EBIT margin and SEK 289,753 to free cash flow; and
- **the former deputy CEO Magnus Örnberg** of 1,125 shares, corresponding to a value of SEK 266,558, whereof SEK 56,118 pertains to organic sales growth, SEK 0 to EBIT margin and SEK 210,440 to free cash flow.

After the end of the one-year performance period for the Special Projects Incentive 2020, which ended on 31 December 2020, it was determined that five of the eight performance targets had been met. The eight performance targets in the Special Projects Incentive 2020, each with a relative weighting of 12.5 per cent, were operating targets and milestones related to the product areas Gripen, AEW&C and submarines. The milestones consisted, for example, of various steps in a development project that were essential to its implementation and the long-term contracts. The targets were tied to among other things construction and design approvals in the Design Reviews and Acceptance Tests. There were also performance targets tied to the physical deliveries or maiden flight of new platforms. The Board of Directors resolved in February 2021 on an outcome of 62.5% of the

¹³ Adjusted for acquisitions and divestments, and exchange rates differences.

¹⁴ Adjusted for acquisitions and divestments, and non-recurring items.

¹⁵ Adjusted for acquisitions and divestments, and non-recurring items.

¹⁶ The shares will vest during the period May 2023 to February 2024. The value of the awarded shares is calculated based on the average purchase award price for the four purchases in PSP 2020.

aggregate performance targets. The measured performance resulted in an actual award for¹⁷

- **the CEO Micael Johansson** of 17,284 shares, corresponding to a value of SEK 3,935,862
- **the deputy CEO Anders Carp** of 4,165 shares, corresponding to a value of SEK 948,441;
- **the deputy CEO Christian Luiga** of 2,290 shares, corresponding to a value of SEK 521,472; and
- **the former deputy CEO Magnus Örnberg** of 1,893 shares, corresponding to a value of SEK 431,068.

¹⁷ The shares will vest during the period March 2021 to February 2023. The value of the awarded shares is calculated based on the volume-weighted average price during the ten trading days immediately following the day for announcement for the year-end report for 2020.

Comparative information on the change of remuneration and company performance¹⁸**Table 3 – Change of remuneration and company performance over the last two reported financial years**

Annual change	2020 vs 2019	2020
Directors remuneration (SEK)		
Micael Johansson (CEO), compared with former CEO Håkan Buskhe ¹⁹	- 4,555,226 (-19%)	19,443,204
Anders Carp (deputy CEO), compared with former deputy CEO Micael Johansson ²⁰	- 1,540,408 (-18%)	7,001,340
Christian Luiga (deputy CEO and CFO), compared with former deputy CEO and CFO Magnus Örnberg ²¹	+2,182,664 (+25%)	10,855,123
Company's performance		
Operating profit	- 1,622 MSEK (-55%)	1,315 MSEK
Average remuneration on a full-time equivalent basis of employees (SEK)		
Employees ²² of the company, i.e. Saab Aktiebolag	- 8,000 ²³ (-1.2%)	658,000

Linköping in March 2021**The Board of Directors in Saab Aktiebolag (publ)**

¹⁸ Saab does not have readily available the required information for the previous financial years and comparison is only made with 2019.

¹⁹ Håkan Buskhe was CEO until to 22 October 2019. Håkan Buskhe's remuneration for 2019 is recalculated to reflect a full year.

²⁰ Micael Johansson was deputy CEO until 22 October 2019. Micael Johansson's remuneration as deputy CEO for 2019 is recalculated to reflect a full year. Anders Carp assumed his position as deputy CEO in May 2020. Anders Carp's remuneration for 2020 is recalculated to reflect a full year.

²¹ Magnus Örnberg was deputy CEO and CFO until May 2020. Christian Luiga assumed his position as deputy CEO and CFO in September 2020. Christian Luiga's remuneration for 2020 is recalculated to reflect a full year.

²² Excluding members of the Group Management.

²³ Salary review covering 2020 will be performed during 2021. An increased number of employees under the age of 30 hired compared to previous year.