

Annual General Meeting of Saab AB on 6 April 2022

Agenda item 13

BOARD OF DIRECTORS' REMUNERATION REPORT 2021

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 2021, have been implemented in 2021. 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 2021 (the "Annual Report 2021").

Information on the work of the Remuneration Committee in 2021 is set out in the corporate governance report, which is available on p. 85-86 in the Annual Report 2021.

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 2021.

Key Developments 2021

The CEO summarises Saab's overall performance in 2021 in the statement on p. 9 in the Annual Report 2021.

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. 92-95 in the Annual Report 2021. During 2021, 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 2021, 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 in 2021 achieve their purposes to facilitate the recruitment and retention of senior executives. No changes are proposed to the remuneration guidelines.

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.

The Remuneration Committee has recommended the Board of Directors to propose to the Annual General Meeting 2022 to resolve on a long-term incentive program 2023 (LTI 2023), consisting of a Share Matching Plan 2023, a Performance Share Plan 2023 and a Special Projects Incentive 2023. LTI 2023 is proposed to have corresponding terms and conditions as the Long-Term Incentive program adopted by the Annual General Meeting 2021, except for the Performance Share Plan 2023. The proposal includes a complementing performance target in Performance Share Plan 2023, in line with Saab's objective to reduce its climate impact.

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.

Total remuneration

Table 1 below sets out total remuneration paid to Saab's CEO and deputy CEOs during 2021 (SEK).

Name of Director, (position)	1 Fixed remuneration		2 Variable remuneration		3 Extraordinary items	4 Pension expense ⁴	5 Total remunera- tion	6 Proportion of fixed and variable remuneration
	Base salary ¹	Other benefits ²	[One-year variable]	Multi-year variable ³				
Micael Johansson, CEO ⁵	13,285,525	196,078	-	2,227,811	-	4,942,691	20,652,105	89% / 11%
Anders Carp, deputy CEO	5,391,129	79,882	-	1,376,163	-	1,884,293	8,731,467	84% / 16%
Christian Luiga, deputy CEO ⁶	7,744,285	59,761	-	-	-	3,388,543	11,192,589	100% / 0%

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 2021.

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 2021 received multi-year variable remuneration consisting of shares that vested under the long-term incentive programs during 2021. In accordance with the terms of the long-term incentive programmes, the Board of Directors resolved in 2019 that outgoing President Håkan Buskhe 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. The remuneration was expensed in its entirety in 2019.

⁶ The former deputy CEO Magnus Örnberg, who left his position as deputy CEO on 8 May 2020, has during 2021 received multi-year variable remuneration consisting of shares that vested under the long-term incentive programs during 2021. In accordance with the terms of the long-term incentive programmes, the Board of Directors resolved in 2020 that outgoing deputy CEO Magnus Örnberg 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 deputy CEO. Shares in these plans will be allotted or matched on the scheduled dates, but the remuneration was expensed in its entirety in 2020, representing SEK 4,062,628 of the total remuneration for share related plans of SEK 5,158,503.

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 2018-2021 consists of three parts, a Share Matching Plan, a Performance Share Plan and a Special Projects Incentive.⁷ 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 2,473,000 per 31 December 2021. LTI 2022 started in January 2022 and the maximum number of shares that may vest under LTI 2022 amounts to 1,370,000 shares.

The long-term incentive program LTI 2018, adopted by the Annual General Meeting 2017, was completed in February 2022 and consisted of a Share Matching Plan, a Performance Share Plan and a Special Projects Incentive.

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.

The conditions for the performance matching are based on three independent targets; which for LTI 2020 and LTI 2019 are organic sales growth⁸ (relative weighting 30 per cent),

⁷ LTI 2022 was adopted by the Annual General Meeting 2021; LTI 2021 was adopted by the Annual General Meeting 2020; LTI 2020 was adopted by the Annual General Meeting 2019; and LTI 2019 was adopted by the Annual General Meeting 2018.

⁸ Adjusted for acquisitions and divestments, and exchange rates differences.

EBIT margin⁹ (relative weighting 40 per cent) and free cash flow¹⁰ (relative weighting 30 per cent) which are measured during one financial year. For LTI 2022 and 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 Plans¹¹

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 in 2020 corresponded to a value of SEK 490,082 and the last vesting in February 2021 corresponded to a value of SEK 113,500.
- **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 in 2020 corresponded to a value of SEK 264,654 and the last vesting in February 2021 corresponded to a value of SEK 70,753.

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** was entitled to in total 617 matching shares and 3,469 performance shares in the vesting in May, August and November 2021 and 122 matching shares and 689 performance shares in the vesting that occurred in February 2022. The total value of the vested matching shares and performance shares at the time of the vesting in 2021 corresponded to a value of SEK 1,031,835 and the last vesting in February 2022 corresponded to a value of SEK 183,802.
- **The deputy CEO Anders Carp** was entitled to in total 381 matching shares and 2,228 performance shares in the vesting in May, August and November 2021 and 75 matching shares and 425 performance shares in the vesting that occurred in February 2022. The total value of the vested matching shares and performance shares at the time of the vesting in 2021 corresponded to a value of SEK 637,311 and the last vesting in February 2022 corresponded to a value of SEK 113,524.

⁹ Adjusted for acquisitions and divestments, and non-recurring items.

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

¹¹ 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 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.

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 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.

Under Share Matching Plan 2021 and Performance Share Plan 2021, after the end of the one-year performance measuring period i.e. the financial year 2021, the Board of Directors resolved in February 2022, on a 100% allocation of performance shares to the participants.

- **The CEO Micael Johansson** is entitled to in total 2,017 matching shares and 21,184 performance shares in the vesting in May, August and November 2024 and 222 matching shares and 444 performance shares in the vesting that will occur in February 2025.
- **The deputy CEO Anders Carp** is entitled to in total 820 matching shares and 6,151 performance shares in the vesting in May, August and November 2024 and 90 matching shares and 180 performance shares in the vesting that will occur in February 2025.
- **The deputy CEO Christian Luiga** is entitled to 1,256 matching shares and 9,420 performance shares in the vesting that will occur in November 2024 and 138 matching shares and 276 performance shares in the vesting that will occur in February 2025.

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, SPI 2019 and SPI 2021 and reduced the number of allotted shares.

Performance shares are allotted after three years based on the achievement during the current financial year of eight equally weighted performance targets in SPI 2018-SPI 2020. As of SPI 2021 the programme is based on 10 equally weighted performance targets. The ten performance targets in SPI 2021 were operating targets and milestones in special projects within Saab's 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 or system implementation. Each performance target represents 10 per cent of the total performance targets. The performance targets in previous SPI programmes have been of a similar nature as in SPI 2021. Due to the nature of the defence industry, further information on the individual performance targets cannot be provided. 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 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.

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 were vested on 18 February 2022.

- **The CEO Micael Johansson** was allotted entitlement of 5,829 performance shares, corresponding to a value of SEK 1 319 685 at the time of vesting.
- **The deputy CEO Anders Carp** was allotted entitlement of 2,831 performance shares, corresponding to a value of SEK 640 938 at the time of vesting.

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 deputy CEO Christian Luiga** was allotted entitlement of 2,290 performance shares.

Under Special Projects Incentive 2021, after the end of the one-year performance measuring period i.e. the financial year 2021, the Board of Directors resolved in February 2022, on an outcome of 50% of the aggregate performance targets. The performance shares will vest in February 2024.

- **The CEO Micael Johansson** was allotted entitlement of 12,274 performance shares.
- **The deputy CEO Anders Carp** was allotted entitlement of 4,158 performance shares.
- **The deputy CEO Christian Luiga** was allotted entitlement of 6,368 performance shares.

Application of performance criteria during 2021

After the end of the one-year performance period for the Performance Share Plan 2021, on 31 December 2021, it was determined that all targets had been fully achieved and the Board of Directors approved performance matching in February 2022 as follows.

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

Performance Share Plan 2021	Reported outcome	Outcome performance targets, %	Weighted,%	Allotment, %
Organic sales growth ¹²	11%	100	30	30
EBIT margin ¹³	7.4%	100	30	30
Free cash flow ¹⁴	2,737 MSEK	99	40	40
Total allotment				100

The measured performance, i.e. total allotment, resulted in an actual award based on an average share price of SEK 248.10¹⁵, for:

- **the CEO Micael Johansson** of 25,849 shares, corresponding to a value of SEK 6,413,136, whereof SEK 1,923,941 pertains to organic sales growth, SEK 1,923,941 to EBIT margin and SEK 2,565,254 to free cash flow;
- **the deputy CEO Anders Carp** of 7,505 shares, corresponding to a value of SEK 1,861,990, whereof SEK 558,597 pertains to organic sales growth, SEK 558,597 to EBIT margin and SEK 744,796 to free cash flow;
- **the deputy CEO Christian Luiga** of 11,495 shares, corresponding to a value of SEK 2,851,909, whereof SEK 855,573 pertains to organic sales growth, SEK 855,573 to EBIT margin and SEK 1,140,763 to free cash flow.

After the end of the one-year performance period for the Special Projects Incentive 2021, which ended on 31 December 2021, it was determined that five of the ten performance targets had been met. The ten performance targets in the Special Projects Incentive 2021, were operating targets and milestones in special projects within Saab's 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 or system implementation. Each performance target represents 10 per cent of the total performance target.

¹² Adjusted for acquisitions and divestments, and exchange rates differences.

¹³ Adjusted for acquisitions and divestments, and non-recurring items.

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

¹⁵ The shares will vest during the period May 2024 to February 2025. The value of the awarded shares is calculated based on the average purchase award price for the four purchases in PSP 2021.

The Board of Directors resolved in February 2022 on an outcome of 50% of the aggregate performance targets. The measured performance resulted in an actual award for¹⁶

- **the CEO Micael Johansson** of 12,274 shares, corresponding to a value of SEK 2,767,500;
- **the deputy CEO Anders Carp** of 4,158 shares, corresponding to a value of SEK 937,501;
- **the deputy CEO Christian Luiga** of 6,368 shares, corresponding to a value of SEK 1,435,781.

¹⁶ The shares will vest during the period March 2022 to February 2024. 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 2021.

Comparative information on the change of remuneration and company performance

Table 3 – Change of remuneration and company performance over the last three reported financial years

Annual change	2020 vs 2019	2021 vs 2020	2021
Directors remuneration (SEK)			
Micael Johansson (CEO)	- 4,555,226 (-19%)	+1,208,901 (+6 %)	20,652,105
Anders Carp (deputy CEO)	- 1,540,408 (-18%)	+1,730,127 (+25 %)	8,731,467
Christian Luiga (deputy CEO and CFO)	+2,182,664 (+25%)	+337,466 (+3 %)	11,192,589
Company's performance			
Operating profit	- 1,622 MSEK (-55%)	1,573 MSEK (+120%)	2,888 MSEK
Average remuneration on a full-time equivalent basis of employees (SEK)			
Employees ¹⁷ of the company, i.e. Saab Aktiebolag	- 8,000 ¹⁸ (-1.2%)	+27,000 (+4.1%)	685,000

Linköping in March 2022

The Board of Directors in Saab Aktiebolag (publ)

¹⁷ Excluding members of the Group Management.

¹⁸ Salary review covering 2020 was performed during 2021. An increased number of employees under the age of 30 hired compared to previous year.