

Annual General Meeting of Saab AB on 5 April 2023

Agenda item 13

BOARD OF DIRECTORS' REMUNERATION REPORT 2022

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 applied in 2022. 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 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 issued by the Swedish Stock Market Self-Regulating Committee (1 January 2021).

Information required by Chapter 5, Sections 40-44 of the Annual Accounts Act (1995:1554) is available in note 8 on p. 115 - 120 in the company's Annual Report for 2022 (the "Annual Report 2022").

Information on the work of the Remuneration Committee in 2022 is set out in the corporate governance report, which is available on p. 79 - 84 in the Annual Report 2022.

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 - 120 in the Annual Report 2022.

Developments 2022

The CEO summarises Saab's overall performance in 2022 in the statement on p. 10 in the Annual Report 2022.

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. 90 - 92 in the Annual Report 2022. During 2022, Saab has complied with the applicable remuneration guidelines adopted by the Annual General Meeting 2021 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 2023 to resolve on a long-term incentive program 2024 (LTI 2024), consisting of a Share Matching Plan (SMP) 2024, a Performance Share Plan (PSP) 2024 and a Special Projects Incentive (SPI) 2024. LTI 2024 is proposed to have corresponding terms and conditions as the Long-Term Incentive program adopted by the Annual General Meeting 2022, except for the Performance Share Plan 2024 and the Special Projects Incentive 2024.

The proposal includes reducing the number of participant groups from four to three. This means that employees in Management Teams, certain specialists and Project Managers can be entitled to performance matching of up to four shares for each share purchased, instead of the previous two shares for each share purchased. The proposal involves no change for members of the Group Management and the CEO. Moreover, the Board of Directors proposes that the maximum allotment for each of the three financial performance targets is to be determined within the range of 20 to 40 percent in order to be able to optimize the balance between the financial performance targets. In aggregate, the financial performance targets will comprise a maximum allotment of 90 percent, and the non-financial performance target an allotment of 10 percent.

In respect of the Special Projects Incentive 2024, the Board of Directors proposes that product area missiles is changed to advanced weapon systems, considering that the company now has special projects in more areas than previously.

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

Below table sets out total remuneration paid to Saab's CEO and deputy CEOs during 2022 (SEK).

Name of Director, position	Fixed remuneration		Variable remuneration	Pension expense ¹	Total remuneration	Proportion of fixed and variable remuneration
	Base salary ²	Other benefits ³	Multi-year variable ⁴			
Micael Johansson, CEO ⁵	13,203,617	223,163	3,685,971	5,104,541	22,217,292	83% / 17%
Anders Carp, deputy CEO	5,618,826	85,766	2,115,565	1,958,085	9,778,242	78% / 22%
Christian Luiga, deputy CEO ⁶	8,071,620	77,313	-	3,486,325	11,635,258	100% / 0%

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 ongoing. Each of the four long-term incentive programs adopted in 2019-2022 consists of three parts, a Share Matching Plan, a Performance Share Plan and a Special Projects Incentive⁷. 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 ongoing long-term incentive programs amounts to 2,403,000 per 31 December 2022. LTI 2023 started in January 2023 and the maximum number of shares that may vest under LTI 2023 amounts to 1,730,000 shares.

The long-term incentive program LTI 2019, adopted by the Annual General Meeting 2018, was completed in February 2023 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

¹ 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.

² The base salary includes monthly salary, holiday pay and compensation for the additional tax cost of certain benefits.

³ Other benefits includes benefits such as company car, health insurance, housing, travels, tax assistance and taxable allowances.

⁴ Multi-year variable consists of shares that vested under the long-term incentive programs during 2022, based on the current share price at the time of respective vesting during the year.

⁵ The former President Håkan Buskhe, who left his position as CEO on 22 October 2019, has during 2022 received multi-year variable remuneration consisting of shares that vested under the long-term incentive programs during 2022. 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 2022 received multi-year variable remuneration consisting of shares that vested under the long-term incentive programs during 2022. 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.

⁷ LTI 2023 was adopted by the Annual General Meeting 2022; LTI 2022 was adopted by the Annual General Meeting 2021; LTI 2021 was adopted by the Annual General Meeting 2020; and LTI 2020 was adopted by the Annual General Meeting 2019.

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), 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. The terms for the performance matching 2023 are based on four independent targets for a one-year performance period: organic sales growth, EBIT margin, free cash flow and CO₂ reduction. The relative apportionment between the targets is as follows: 30 per cent of the allotment is attributable to organic sales growth, 30 per cent to EBIT margin, 30 per cent to free cash flow and 10 per cent CO₂ reduction.

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 2019, SPI 2021 and SPI 2022 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 2019-SPI 2020. As of SPI 2021 the programme is based on 10 equally weighted performance targets, consisting of operational targets and

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

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

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

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.

MAIN CONDITIONS SHARE-BASED INCENTIVES						INFORMATION CURRENT YEAR					
Name of Director, position	Performance period	Retention period starts ¹¹	Retention period ends	Programme	Performance outcome	OPENING BALANCE	CURRENT YEAR				CLOSING BALANCE
						Share rights January 1, 2021	Number of vested shares	Value of vested shares (KSEK) ¹²	Number of awarded share rights ¹³	Value of awarded share rights (KSEK) ¹⁴	Allocated share rights not vested December 31, 2022
Micael Johansson, CEO	2018	May 2018	Feb 2022	SMP 2018	-	122	122	28	-	-	-
				PSP 2018	75%	689	689	156	-	-	-
				SMP 2019	-	1,062	734	287	-	-	328
	2019	May 2019	Feb 2023	PSP 2019	88%	7,875	4,844	1,894	-	-	3,031
				SPI 2019	75%	5,829	5,829	1,320	-	-	-
				SMP 2020	-	2,552	-	-	-	-	2,552
	2020	May 2020	Feb 2024	PSP 2020	38%	10,185	-	-	-	-	10,185
				SPI 2020	62,5%	17,284	-	-	-	-	17,284
				SMP 2021	-	2,462	-	-	-	-	2,462
	2021	May 2021	Feb 2025	PSP 2021	100%	25,849	-	-	-	-	25,849
				SPI 2021	50%	12,274	-	-	-	-	12,274
				SMP 2022	-	-	-	1,561	617	1,561	
	2022	May 2022	Feb 2026	PSP 2022	81%	-	-	-	13,281	5,249	13,281
				SPI 2022	70%	-	-	-	7,643	4,125	7,643
					86,183	12,218	3,685	22,485	9,991	96,447	
Anders Carp, deputy CEO	2018	May 2018	Feb 2022	SMP 2018	-	75	75	17	-	-	-
				PSP 2018	75%	425	425	96	-	-	-
				SMP 2019	-	546	458	179	-	-	88
	2019	May 2019	Feb 2023	PSP 2019	88%	3,601	3,023	1,182	-	-	578
				SPI 2019	75%	2,831	2,831	641	-	-	-
				SMP 2020	-	842	-	-	-	-	842
	2020	May 2020	Feb 2024	PSP 2020	38%	2,399	-	-	-	-	2,399
				SPI 2020	62,5%	4,165	-	-	-	-	4,165
				SMP 2021	-	1,001	-	-	-	-	1,001
	2021	May 2021	Feb 2025	PSP 2021	100%	7,505	-	-	-	-	7,505
				SPI 2021	50%	4,158	-	-	-	-	4,158
				SMP 2022	-	-	-	645	255	645	
	2022	May 2022	Feb 2026	PSP 2022	81%	-	-	-	3,921	1,550	3,921
				SPI 2022	70%	-	-	-	2,553	1,378	2,553
					27,547	6,812	2,116	7,120	3,183	27,855	
Christian Luiga, deputy CEO	2020	May 2020	Feb 2024	SMP 2020	-	543	-	-	-	-	543
				PSP 2020	38%	1,549	-	-	-	-	1,549
				SPI 2020	62,5%	2,290	-	-	-	-	2,290
	2021	May 2021	Feb 2025	SMP 2021	-	1,532	-	-	-	-	1,532
				PSP 2021	100%	11,494	-	-	-	-	11,494
				SPI 2021	50%	6,368	-	-	-	-	6,368
	2022	May 2022	Feb 2026	SMP 2022	-	-	-	-	959	383	959
				PSP 2022	81%	-	-	-	5,829	2,327	5,829
				SPI 2022	70%	-	-	-	3,836	2,070	3,836
					23,777	-	-	10,625	4,780	34,401	

Application of performance criteria during 2022

After the end of the one-year performance period for the PSP 2022 and SPI 2022, on 31 December 2022, the Board decided on the outcome of the performance matching as follows. The retention period is still running for below programs and the awarded shares will be vested in 2025-2026, provided that

¹¹ Allotment of matching and performance shares for SMP and PSP occurs in May, August, November and February during the first year of the retention period. Allotment of performance shares for SPI occurs in February during the first year of the retention period.

¹² Based on the current share price at the time of respective vesting during the year.

¹³ Matching and performance shares for SMP and PSP will be awarded in May, August, November and February provided that the purchased shares are retained by the employee and employment within the Saab Group has not been terminated. Performance shares for SPI will be awarded in February. After the end of the financial year 2022, the Board resolved in February 2023, on allocation of performance shares for PSP and SPI.

¹⁴ Based on the actual share price at the time of respective award.

the participants remain employed by the Saab group.

MAIN CONDITIONS SHARE-BASED INCENTIVES					INFORMATION CURRENT YEAR					
					Micael Johansson, CEO		Anders Carp, Deputy CEO		Christian Luiga, Deputy CEO	
Programme	Performance targets	Weighted	Reported outcome	Outcome (0% - 100%)	Awarded share rights	Value of awarded share rights, KSEK	Awarded share rights	Value of awarded share rights, KSEK	Awarded share rights	Value of awarded share rights, KSEK
PSP 2022	Organic sales growth	30%	5%	20%	3,984	1,575	1,176	465	1,749	698
	EBIT margin	30%	7.8%	21%	3,984	1,575	1,176	465	1,749	698
	Free cash flow	40%	1,871 MSEK	40%	5,312	2,100	1,569	620	2,332	931
	Total allotment			81%	13,281	5,249	3,921	1,550	5,829	2,327
SPI 2022	10 operating targets and milestones related to Saab's product	10% each	7 of 10 targets achieved	70%	7,643	4,125	2,553	1,378	3,836	2,070
	Total allotment				7,643	4,125	2,553	1,378	3,836	2,070

The ten performance targets in the Special Projects Incentive 2022, 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. The performance targets in previous SPI programmes have been of a similar nature as in SPI 2022. 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.

Comparative information on the change of remuneration and company performance

Change of remuneration and company performance over the last four reported financial years

Annual change	2020 compared to 2019	2021 compared to 2020	2022 compared to 2021	2022
Directors remuneration (SEK)				
Micael Johansson, CEO	-4,555,226 (-19 %)	+1,208,901 (+6 %)	+1,565,187 (+8 %)	22,217,292
Anders Carp, deputy CEO	-1,540,408 (-18 %)	+1,730,127 (+25 %)	+1,046,775 (+12 %)	9,778,242
Christian Luiga, deputy CEO and CFO	+2,182,664 (+25 %)	+337,466 (+3 %)	+442,669 (+4 %)	11,635,258
Company's performance				
Operating Profit	-1,622 MSEK (-55 %)	1,573 MSEK (+120%)	+386 MSEK (+13%)	3,274 MSEK
Average remuneration on a full-time equivalent basis of employees (SEK)				
Employees ¹⁵ of the company, i.e. Saab Aktiebolag	-8,000 ¹⁶ (-1.2 %)	+27,000 (+4.1%)	+20,000 (+3%)	705,000

Linköping in March 2023

The Board of Directors in Saab Aktiebolag (publ)

¹⁵ Excluding members of the Group Management.

¹⁶ Salary review covering 2020 was performed during 2021. An increased number of employees under the age of 30 hired compared to previous year.