

## Annual General Meeting of Saab AB (publ) on 19 April 2012

### **The Board's proposal for resolution 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 that were resolved at the Annual General Meeting in 2011 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 2011 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 whose terms and conditions in essence are the same as those that were resolved at the Annual General Meeting in 2011. However, in consideration of a general review of senior executive employment agreements, certain clarifications are proposed to be made in the guidelines pertaining to customary executive benefits and to the "Saab Plan" that regulates pension terms.

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

##### **Guidelines**

The 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'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.

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 2012.

*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 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 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.

*Incentive programs proposed to the Annual General Meeting 2012*

The Board of Directors proposes that the Annual General Meeting resolves on the implementation of a Share Matching Plan 2012 and a Performance Share Plan 2012.

The terms and estimated costs for the Share Matching Plan 2012 and the Performance Share Plan 2012 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 62. 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 and CEO, 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 percent of salary levels between 20 and 30 basic income amounts and approximately 50 percent 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 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.

*Consultant fees to Board Members*

Saab 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.

*Information in the Annual Report note 37*

Note 37 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 the guidelines to remuneration for senior executives resolved at the Annual General Meeting 2011*

The Board of Directors resolved to deviate from the guidelines during 2011.

The President and CEO has during 2011 received a benefit in the form of flight travels. The reason for this was that at the time of employment and for a period of time thereafter, the President and CEO had his residence in another place than the place of work. In addition, other customary benefits have been provided to members of the Group Management in order to facilitate the persons' discharge of his or her duties.

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