

# CORPORATE GOVERNANCE REPORT

This Corporate Governance Report for the 2016/2017 fiscal year has been prepared pursuant to the Swedish Annual Accounts Act and the Swedish Corporate Governance Code (the Code) based on the revision of the Code that entered force in December 2016.

## PARENT COMPANY

SAS AB, which is the Parent Company for operations at SAS, is a Swedish public limited company headquartered in Stockholm, Sweden. Since July 2001, SAS AB has been listed on Nasdaq Nordic in Stockholm with secondary listings in Copenhagen and Oslo.

## DEPARTURES FROM THE CODE

Since the implementation of the Code, SAS has complied with it except in the following instances:

- Meeting deliberations in SAS AB are held primarily in Swedish and meeting materials are available in Swedish. In view of the above, the Board believes that any one of the Scandinavian languages may be freely used at shareholders' meetings in the company in view of the similarity of the three Scandinavian languages.
- The slides in the President's presentation attached to the minutes are written in English, which departs from clause 1.4 of the Code. The President's presentation at meeting deliberations is held in Swedish, but SAS has decided to provide the presentation material in English (available for download from the website) to enable the broader capital market to understand the President's presentations at shareholders' meetings.

## IMPORTANT REGULATIONS GOVERNING SAS

### External rules:

- Swedish legislation, EU regulations and laws set by other countries in which SAS operates
- The Swedish Corporate Governance Code (the Code)
- Nasdaq Nordic in Stockholm and Copenhagen and the Oslo Børs's rule book for issuers
- The Market Abuse Regulation
- The recommendations issued by relevant Swedish and international organizations
  - Flight safety regulations and certifications
  - Accounting rules

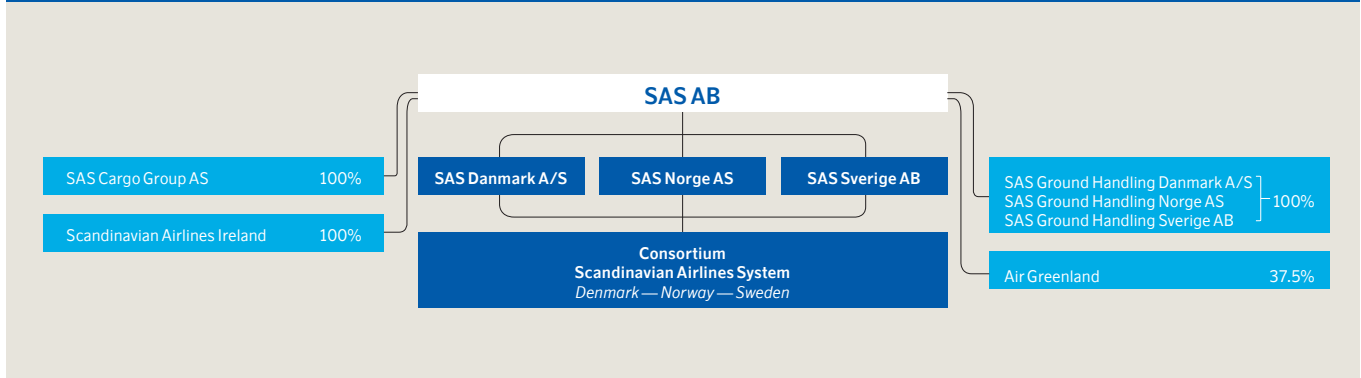
### Internal rules:

- The Articles of Association<sup>1</sup>
- The information policy
- The Board's work plan
- The Board's instructions to the President
- The Code of Conduct<sup>1</sup>
- The insider policy

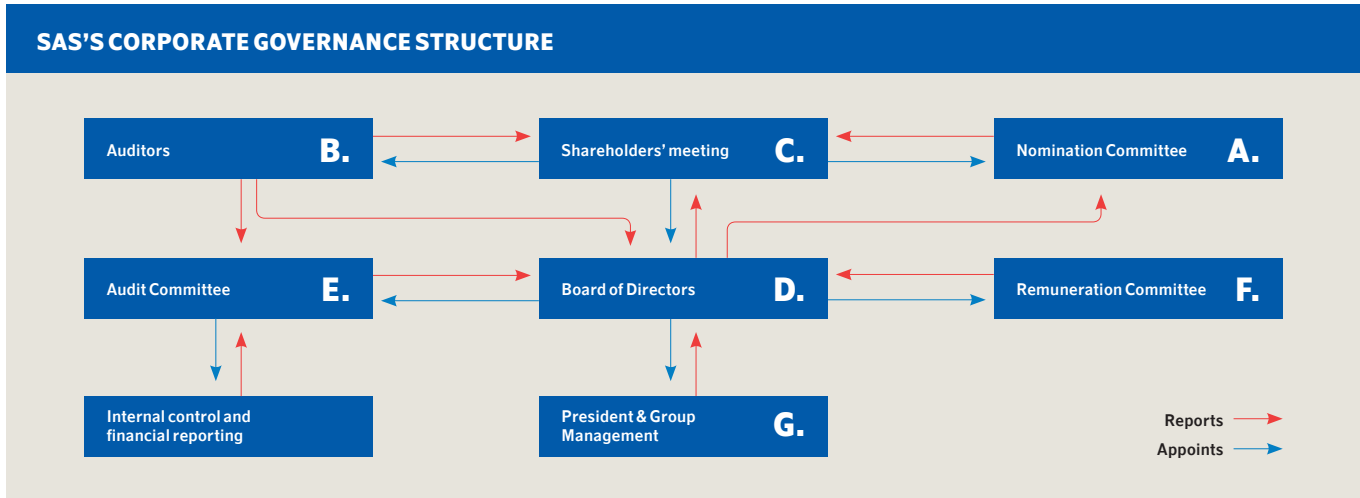
No breaches of the relevant stock exchange rules or of good stock market practices have been reported by Nasdaq's Disciplinary Committee, the Oslo Børs or the Swedish Securities Council during the 2016/2017 fiscal year.

<sup>1</sup>) Available for download at [www.sasgroup.net](http://www.sasgroup.net)

## SAS'S LEGAL STRUCTURE<sup>1</sup>, DECEMBER 31, 2017



<sup>1</sup>) Operating companies.



## SAS'S SHAREHOLDERS AND SHARE

SAS maintains ongoing dialogues with capital markets on questions regarding the SAS Group's performance, strategic position and growth possibilities. No major changes were implemented in the corporate governance principles in 2017. During the year, most listed airlines noted significant increases in their share prices. SAS's common share also followed a positive trend and rose 69% over the fiscal year. This occurred in parallel with unit revenue stabilizing and the USD weakening against the SEK.

## OWNERSHIP, CONTROL AND SHARE CLASSES

SAS AB has three classes of shares: common shares, preference shares and subordinated shares. At October 31, 2017, there were 330.1 million common shares and 7 million preference shares issued with a quotient value of SEK 20.10. Together, these constituted a total registered share capital of MSEK 6,775.

There are no subordinated shares issued or outstanding. Common shares and subordinated shares entitle the holders to one vote each. Each preference share entitles the holder to one-tenth of a vote.

The maximum number of common shares and subordinated shares that may be issued is limited to a number that corresponds with 100% of the company's share capital. The maximum number of preference shares that may be issued is limited to 10% of the share capital. Common shares and preference shares provide shareholders with the rights set out in the Swedish Companies Act and the Articles of Association.

Subordinated shares provide shareholders the right to participate in and vote at the company's shareholders' meetings. Subordinated shares do not entitle shareholders to dividends or participation in bonus issues. If subordinated shares are redeemed or the company is dissolved and its assets distributed, holders of subordinated shares are treated as holders of common shares and receive an equal share in the company's assets, although not at an amount higher than the quotient value of the subordinated shares index-adjusted from the first date of registration of the subordinated shares until the date of the payment of the redemption amount or the date of the distribution with an interest-rate factor corresponding to STIBOR 90 days plus two percentage points. For more information on subordinated shares, see Note 21. The share price performance of common and preference shares is presented on pages 31–32 of the SAS Annual Report 2016/2017.

## PROTECTION OF SAS'S AIR TRAFFIC RIGHTS IN THE ARTICLES OF ASSOCIATION

For aviation policy reasons, SAS's Articles of Association authorize, in part, the mandatory redemption of common shares by means of a reduction of share capital and, in part, should redemption not be possible or be adjudged adequate, an option to issue subordinated shares for subscription with the support of previously issued warrants.

A precondition for these actions is an assessment by the company's Board that a direct threat exists against the air traffic rights of the company or any of its subsidiaries when the company or its subsidiaries infringe or risk infringing provisions on ownership and control in bilateral aviation agreements or in laws or regulations pertaining to permits for air traffic in the EU/EEA.

### Mandatory redemption

If the Board assesses that there is a direct threat to the company's traffic rights, it may decide to mandatorily redeem a sufficient number of common shares not owned by shareholders domiciled in Denmark, Norway or Sweden along with common shares that are controlled, directly or indirectly, by a person or company outside of these three countries, so as to ensure continued Scandinavian ownership and control. Primarily, such mandatory redemption of common shares is performed on shares owned or controlled by a person or company outside the EU/EEA. Prior to redemption, the shareholders are given an opportunity to sell their common shares voluntarily within a prescribed period. Redemptions are made subsequently without refund to the shareholder since the reduction is to be transferred to the company's statutory reserve.

### Subordinated shares

Should the Board deem the action of redeeming common shares not possible or inadequate, the Board may propose a shareholders' meeting to decide whether to issue subordinated shares in such number so as to safeguard continued Scandinavian ownership and control. Such a decision must be approved by at least half of the votes cast at the meeting. The subordinated shares thus issued are subscribed for with the support of previously issued warrants, which are currently held by a subsidiary of SAS AB but which the Board of SAS AB has the right to decide to transfer to one or more appropriate legal entities domiciled in Denmark, Norway or Sweden as soon as this is judged necessary for aviation policy reasons. In total, there are 75,000 warrants issued, which provide entitlement to sub-

scription for a total of 150,000,000 subordinated shares. This would increase the company's share capital by a maximum of SEK 3,015,000,000. As soon as the threat no longer exists, the Board shall ensure that the subordinated shares thus issued are redeemed.

Furthermore, for aviation policy reasons, the Articles of Association contain certain suitability and qualification requirements for Board members to ensure that the Board will at all times have the composition it needs to ensure that the company and its subsidiaries are able to retain their air traffic rights. These requirements include citizenship, domicile and knowledge and experience of the social, business and cultural conditions prevailing in the Scandinavian countries.

Beyond these requirements and the regulations contained in the Articles of Association, there are no restrictions or voting rules pertaining to the appointment or removal of Board members.

### OWNERSHIP AND CONTROL

On October 31, 2017, SAS AB had a total of 58,865 shareholders. The major shareholders are the three Scandinavian governments, who represent 42.8% of the votes. More information about the share and the ownership structure is available on pages 31–32 in the SAS Annual Report 2016/2017. On November 9, 2017, SAS completed a private placement of 52.5 million common shares. Following the new issue the stake held by the three Scandinavian governments fell to 38.9%.

No restrictions exist in the Articles of Association concerning the voting rights of shareholders at shareholders' meetings and, pursuant to the Swedish Companies Act, shareholders may vote for the entire number of shares they own or represent by proxy. Nor are there any special plans, such as employee-benefit plans or the like, through which company or Group employees own shares with restricted voting rights. SAS AB has no knowledge of any agreements between shareholders that would restrict the capacity of shareholders to vote at a shareholders' meeting or their right to freely transfer such shares.

### EFFECTS OF A PUBLIC TAKEOVER BID

SAS is currently party to a number of agreements in which the counterparties are entitled to terminate the agreement, in the event of changes in the majority stake or control of the company.

## A. NOMINATION COMMITTEE

The Nomination Committee represents shareholders of SAS and is appointed by the AGM and tasked with preparing the meeting's resolutions on nomination and remuneration issues, as well as matters of procedure for the next nomination committee. An instruction for the Nomination Committee was adopted in conjunction with the 2017 AGM.

The Nomination Committee is tasked with making proposals for the election of the Chairman of the AGM, the number of Board members and Directors' fees, broken down among the Chairman, Vice Chairman, other Board members and any remuneration for work on Board committees, election of Board members and Chairman of the Board, election of the company's auditors, auditors' fees and the Nomination Committee ahead of the next AGM.

### NOMINATION COMMITTEE, EIGHT MINUTED MEETINGS (REFERS TO THE PERIOD FEBRUARY 22, 2017 TO JANUARY 18, 2018)

Member	Representative of	Votes, % October 31, 2017
Carl Rosén, Chairman	Swedish Ministry of Finance, for the Swedish government	17.1
Rasmus Lønborg	Danish Ministry of Finance, for the Danish government, until August 2017	
Peder Lundquist	Danish Ministry of Finance, for the Danish government, from August 2017	14.2
Jan Tore Føsund	Norwegian Ministry of Trade, Industry and Fisheries, for the Norwegian government	11.4
Peter Wallenberg Jr	Knut and Alice Wallenberg Foundation	7.5

#### Issues discussed:

The Nomination Committee evaluated the Board's work, qualifications and composition. Diversity, breadth and the gender balance were also discussed. The Chairman liaises closely with the Committee, and the result of the evaluation of the Board is made available to the Committee.

At least one meeting with the Chairman and Group CEO must be held before the Committee submits its recommendations to the AGM.

The Committee's recommendations are published in the notice calling the AGM, on the company's website, and at the AGM. Committee members received no fees or other remuneration from SAS for their work on the Nomination Committee.

When required for carrying out its assignment, the Committee utilizes recruitment consultants and other outside consultants, with SAS defraying the cost.

## B. AUDITORS

The auditors are elected by the AGM and tasked with scrutinizing the company's financial reporting and the administration of the company by the Board and the President. An election was conducted to appoint an auditor at the 2017 AGM, whereby PricewaterhouseCoopers AB (PwC) was reelected for the period until the end of the 2018 AGM. The auditor in charge is Bo Hjalmarsson. In addition to SAS, he has audit engagements for companies that include Ericsson and SAAB.

On two occasions during the 2016/2017 fiscal year, the auditor in charge met with the Board, presenting the program for auditing work and reporting observations from the audit.

The auditor also met with the Audit Committee on five occasions. On one occasion during the fiscal year, the Board met with the company's auditor without the presence of the President or any other representative of the company management.

PwC submits an auditors' report for SAS AB, the Group and an overwhelming majority of the subsidiaries. Over the past year, in addition to its auditing work, PwC has performed advisory services for SAS Group companies in auditing-related areas as outlined in the table below. For more information about the auditors' fees in 2016/2017, see Note 37.

Auditors' fees	MSEK
Auditing services	7
Other statutory assignments	0
Tax consultancy services	1
Other	1
<b>Total</b>	<b>9</b>

## C. SHAREHOLDERS' MEETING

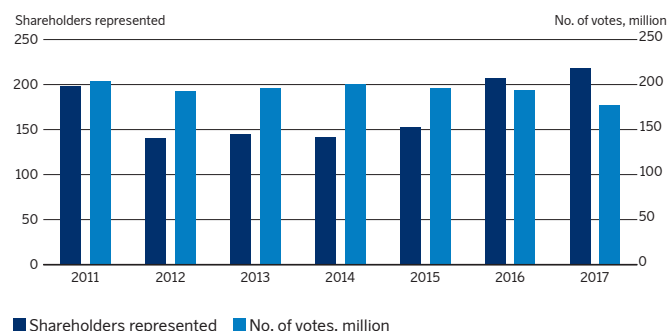
The shareholders' meeting is the highest decision-making body at SAS. At shareholders' meetings of SAS AB, one common share is equal to one vote with no restrictions on the number of votes any one shareholder is entitled to cast at such a meeting. Each preference share entitles the holder to one-tenth of a vote.

The shareholders' meeting may be held in Stockholm, Solna or in Sigtuna. Notice convening the AGM is issued no earlier than six and no later than four weeks prior to the meeting. Notice is published in daily newspapers and in Post- och Inrikes Tidningar in Sweden, and announced in press releases as well as published on the company's website. SAS also e-mails notices to shareholders who have requested this service via Shareholder Service on the company website: [www.sasgroup.net](http://www.sasgroup.net).

The Articles of Association contain no special provisions regarding the election and discharge of Board members or regarding changes to the Articles of Association. As per October 31, 2017, no authority has been provided by the shareholders' meeting to the Board empowering the Board to issue new common and/or preference shares or to buy back treasury shares. However, on October 6, 2017, the Board called an extraordinary shareholders' meeting for November 3, 2017, to authorize a private placement of up to 66 million common shares. The extraordinary shareholders' meeting on November 3 resolved to authorize the Board, with deviation from the preferential rights of shareholders, to on one or more occasions and up until the next AGM, decide on the new issue of no more than

66 million common shares corresponding to almost 20 percent of the number of common shares outstanding. On November 9, 2017, SAS completed a private placement of 52.5 million common shares.

### NUMBER OF PARTICIPANTS AT AGMS 2011–2017



### RESOLUTIONS BY THE AGM ON FEBRUARY 22, 2017

- Adoption of statement of income and balance sheet.
- Appropriation of profit or loss in accordance with the adopted balance sheet.
- Discharge from liability for Board members and President.
- Appointment of Board members, Chairman of the Board, auditors and Nomination Committee.
- Guidelines for remuneration of senior executives.

### DIRECTORS' FEES DECIDED AT THE 2017 AGM

Name	Board of Directors	Audit Committee	Remuneration Committee	Total, TSEK
Fritz H. Schur	410		49	459
Jacob Wallenberg	242		17	259
Dag Mejdell	242		17	259
Monica Caneman	207	66		273
Carsten Dilling	207	31		238
Lars-Johan Jarnheimer	207	31		238
Berit Svendsen	207			207
Sanna Suvanto-Harsaae	207			207
Jens Lippestad	207			207
Cecilia van der Meulen	207 <sup>1</sup>			207
Janne Wegeberg	207			207
<b>Total</b>	<b>2,550</b>	<b>128</b>	<b>83</b>	<b>2,761</b>

1) Shared with Sven Cahier who acted as employee representative on the Board until February 22, 2017.

### NOVEMBER 2016–OCTOBER 2017, RECORDED FEES FOR DEPUTY EMPLOYEE REPRESENTATIVES

Name	Period	Total, SEK
Tor Kjöstel Lie	November 2016–March 2017	4,000
Elin Rise	November 2016–March 2017	4,000
Endre Røros	April 2017–October 2017	6,000
Pål Gisle Andersen	April 2017–October 2017	6,000
Erik Bohlin	November 2016–March 2017	4,000
Eva Dahlberg	November 2016–March 2017	4,000
Stefan Ottosson	March 2017–October 2017	9,500
Joacim Olsson	March 2017–October 2017	7,000
Christa Cere	March 2017–October 2017	7,000
Kim John Christiansen	November 2016–October 2017	10,000

### 2018 AGM

**Date and time:** April 10, 2018 at 3:00 p.m. at the head office of SAS, Frösundaviks allé 1, Solna, Sweden

**Notice:** To be published four to six weeks ahead of the AGM

**Attending the AGM:** Procedures for notifying attendance are set out in the notice

**Deadline for notification of attendance:** April 3, 2018 for shareholders with shares registered in Denmark and Norway, and April 4, 2018 for shareholders with shares registered in Sweden.

**Record date:** April 4, 2018

## D. BOARD OF DIRECTORS

The Board's work is governed by the Swedish Companies Act, the Articles of Association, the Code and the formal work plan adopted by the Board each year. The Board is ultimately responsible for SAS's operations. This also includes risk management, regulatory compliance and internal control at SAS.

The Board members are elected by the AGM for the period until the next AGM has been held. The Articles of Association stipulate that the Board of Directors should consist of six to eight members elected by the shareholders' meeting. During the year, the Board comprised eight duly elected members, no deputies and three employee representatives, each with two personal deputies.

The employee representatives are appointed by the SAS Group's employee groups in Denmark, Norway and Sweden in line with governing legislation and special agreements. Deputies attend Board meetings only in the absence of an ordinary member. Except for employee representatives, no Board member is employed by SAS AB or any other company in the SAS Group. The elected Board members are appointed for the period until the end of the next AGM. No regulation exists that limits the period of time a Board member can serve in that capacity. The experience of the Board members and their independence in relation to the owners of the company are disclosed on pages 58–59 of the SAS Annual Report 2016/2017.

The average age of members is 59 and three of the eight members elected by the shareholders' meeting are women. All members elected by the shareholders' meeting are regarded by the Nomination Committee as being independent of the company and company management. Moreover, all Board members are deemed to be independent in relation to major shareholders at October 31, 2017.

SAS AB meets the requirements of the Code regarding Board independence vis-à-vis the company, company management and the company's major shareholders. The Nomination Committee applies Rule 4.1 of the Code as its Diversity Policy and believes that the Code's requirements for diversity, breadth and an even gender balance improved in accordance with the Committee's ambition of achieving an equal gender balance on the Board of Directors.

To streamline and enhance the work of the Board, there are two committees:

- The Remuneration Committee
- The Audit Committee

The members of these Committees are appointed by the Board. The main duty of the committees is to prepare issues for decision by the Board. These committees do not imply any delegation of the Board's legal responsibilities. Reports to the Board on issues discussed at committee meetings are either in writing or given verbally at the following Board meeting.

The work on each committee follows written instructions and a formal work plan stipulated by the Board. The General Counsel of SAS serves as the secretary to the Audit Committee. Minutes of Committee meetings are provided to all Board members. Remuneration for work on Board committees is determined by the AGM.

### THE BOARD'S WORK 2016/2017

The Board's work follows a yearly agenda with regular business items as well as special topics. The formal work plan regulates the division of the Board's work between the Board and its committees and among the Board, its Chairman and the President. Working closely with the President, the Chairman of the Board monitors the company's performance, plans Board meetings, takes responsibility for ensuring that the other members of the Board always receive high-quality information about the Group's finances and performance, and ensures that the Board evaluates its work and that of the President each year.

The formal work plan also contains provisions for meeting the Board's needs for information and financial reporting on an ongoing basis as well as instructions for the President and the company's Board committees. This process is evaluated each year, including the work of the Board. Evaluation of the Board is carried out by way of an annual survey that is compiled and then discussed by the Board.

In 2016/2017, as part of the strategic planning, the Board discussed SAS's efficiency enhancement program, the establishment of bases for flight operations outside of Scandinavia, funding plans, financial targets, the aircraft fleet, and kept itself regularly updated on safety efforts as well as SAS's risk management and earnings performance.

The Board appoints from among its own members the members of the Board's two committees: the Remuneration Committee and the Audit Committee.

Between November 2016 and October 2017, the Board held 13 scheduled Board meetings, including a statutory meeting and two by correspondence.

The President and other senior executives in the company attended Board meetings to make presentations and the company's General Counsel served as the Board's secretary.

### ATTENDANCE AT BOARD MEETINGS, NOVEMBER 2016–OCTOBER 2017<sup>1</sup>

Name	Dec 12	Jan 31	Feb 22 <sup>2</sup>	Mar 7	Apr 5 <sup>5</sup>	Jul 19–20	Sep 4	Sep 19 <sup>3</sup>	Oct 5 <sup>3</sup>	Oct 30
Fritz H. Schur, Chairman	●	●	●	●	●	●	●	●	●	●
Jacob Wallenberg, Vice Chairman	●	●	●	●	●	●	●	●	●	●
Dag Mejdell, Second Vice Chairman	●	●	●	●	●	●	●	○	●	●
Carsten Dilling, member	●	●	●	●	●	●	●	●	●	●
Lars-Johan Jarnheimer, member	●	●	●	●	●	●	●	●	●	●
Monica Caneman, member	●	●	●	●	●	●	●	●	●	●
Berit Svendsen, member	●	●	●	●	●	●	●	●	●	●
Sanna Suvanto-Harsaae, member	●	●	●	○	●	●	●	●	●	●
Janne Wegeberg, employee representative	●	●	●	●	●	●	●	●	●	●
Sven Cahier, employee representative <sup>6</sup>	●	●	●	-	-	-	-	-	-	-
Cecilia van der Meulen, employee representative <sup>6</sup>	-	-	-	●	●	●	●	●	○ <sup>4</sup>	●
Jens Lippestad, employee representative <sup>7</sup>	●	●	●	●	●	●	●	●	●	●

● Present ○ Absent

<sup>1</sup> The Board also held two meetings by correspondence on January 17 and April 5, 2017.

<sup>2</sup> Two meetings of which one was the statutory meeting following the AGM.

<sup>3</sup> Extra meeting via telephone.

<sup>4</sup> Stefan Ottoson, First Deputy, present.

<sup>5</sup> Two minuted meetings of which one was by correspondence.

<sup>6</sup> Sven Cahier was replaced in February 2017 by Cecilia van der Meulen

<sup>7</sup> Replaced by Endre Røros as of January 2018.



## MAIN ISSUES ADDRESSED AT BOARD MEETINGS

December	January	February	March	April	June	September	October
<p><b>December 12</b> Year-end report for 2015/2016 and the proposed disposition of earnings, the report from the external auditors, and the outlook for 2018–2019 as well as the Insider Policy/Information Policy. Other matters addressed, included the need to strengthen SAS's profitability and the next step in SAS's work with change as part of SAS's strategic plan. Evaluation of the Board's and President's work.</p>	<p><b>January 17</b> Remuneration to senior executives and a decision on notification of the 2017 AGM. <b>January 31</b> Adoption of the 2015/2016 Annual Report and the work plan for the audit. The Board also discussed the next step in SAS's work with change and decided to establish production bases outside of Scandinavia.</p>	<p><b>February 22</b> Adoption of the meeting schedule for 2017/2018, and a review of flight safety and sustainability work, and an update regarding SAS's strategic plan. Moreover, the Board authorized the management to divest two slot pairs at London Heathrow. The Statutory Board meeting was held at the second Board meeting following the AGM.</p>	<p><b>March 7</b> Adoption of the report for the first quarter of 2016/2017</p>	<p><b>April 5</b> Review of the work with change at SAS and measure to enhance efficiency at SAS's core operations in Scandinavia.  The second Board meeting (held by correspondence) authorized an issue within the EMTN program.</p>	<p><b>June 19–20</b> Review of SAS's strategy, work with change, financial policy and refinancing plan. The auditors presented their review of their work and of the interim report for the second quarter of 2016/2017. Status of collective agreement negotiations.</p>	<p><b>September 4</b> Review of the Board's formal work plan and instructions, SAS's financial policy, follow-up of risk management, regulatory compliance, internal control, corporate governance and adoption of SAS's interim report for the third quarter of 2016/2017.  <b>September 19</b> Review and discussion of material pertaining to a possible private placement.</p>	<p><b>October 5</b> The Board decided to call an extraordinary shareholders' meeting to resolve on a private placement.  <b>October 30</b> Evaluation of the Board's and President's work, and review of the budget for 2017/2018.</p>

## E. AUDIT COMMITTEE

## AREA OF RESPONSIBILITY

The Audit Committee monitors the company's financial reporting as well as the effectiveness of its internal control, internal audit and risk management. The Committee keeps itself informed about the audit. The Audit Committee is responsible for preparing the Board's quality assurance work regarding financial reporting. The Committee performs quality assurance through the discussion of critical auditing issues and the financial statements that the company submits. Issues discussed by the Committee include internal control, compliance, uncertainty in reported values, events after the closing date, changes in estimates and assessments, financial and legal risks, suspected irregularities, and other matters affecting the company's financial reporting.

The company's external auditors attend all meetings of the Committee. Without otherwise impacting the responsibilities and obligations of the Board, the Committee is tasked with scrutinizing and monitoring the impartiality and independence of the auditor including paying particular attention to any non-audit-related assignments provided to the company by the auditor as well as assisting in the preparation of proposals regarding the election of auditors and auditors' fees for resolution at AGMs.

## APPOINTMENT OF MEMBERS

The Board appoints members of the Audit Committee. All members of the Audit Committee are independent in relation to SAS, the company management and the shareholders in line with the Code. Besides the Committee Secretary and the external auditor, the SAS Group CFO and one employee representative and, as required, representatives from SAS's accounting unit attend Committee meetings.

THE AUDIT COMMITTEE'S WORK 2016/2017  
— FIVE MINUTED MEETINGS

Meeting date:	Dec 12	Jan 31	Mar 7	Jun 19	Sep 4
Monica Caneman (Chairman)	●	●	●	●	●
Carsten Dilling	○	●	●	●	●
Lars-Johan Jarnheimer	●	●	●	●	●

● Present ○ Absent

## F. REMUNERATION COMMITTEE

## AREA OF RESPONSIBILITY

The Remuneration Committee prepares issues for the Board's decision vis-à-vis remuneration policies, remuneration and other employment terms for senior executives with a view to ensuring the company's access to executives with the requisite skills at a cost appropriate to the company. The Committee prepares proposals for policies for remuneration and other employment terms for resolution at the AGM.

## APPOINTMENT OF MEMBERS

The Board appoints members of the Remuneration Committee. The Code specifies that members of the Remuneration Committee must be independent of the company and company management. Fritz H. Schur, Jacob Wallenberg and Dag Mejdell are independent in relation to the company and company management.

REMUNERATION COMMITTEE'S WORK 2016/2017  
— TWO MINUTED MEETINGS

Meeting date:	Dec 22	May 23
Fritz H. Schur (Chairman)	●	●
Jacob Wallenberg	●	●
Dag Mejdell	●	●

● Present ○ Absent

## REMUNERATION POLICIES AND OTHER TERMS OF EMPLOYMENT FOR COMPANY MANAGEMENT AT THE 2017 AGM

The Remuneration Committee prepares remuneration policies applicable to the Group Management, which are subsequently addressed by the Board, which presents the motion to the AGM for resolution. Remuneration policies for company management are to be formulated and presented by the Remuneration Committee to the Board, which submits the proposal to the AGM for adoption. Total remuneration must be market-based and competitive and must be in relation to responsibility and authority.

Remuneration consists of fixed salary, other benefits and pension. The fixed salary is to reflect the position's requirements pertaining to skills, responsibility, complexity and the manner in which it contributes to achieving the business objectives. The fixed salary is to also reflect the senior executive's performance and can therefore be both individual and differentiated. Other benefits, including company car and health insurance, must be market-based and only constitute a limited part of the total remuneration.

Pension benefits are to be defined-contribution, with premiums not exceeding 30% of the fixed annual salary.

Agreements concluded previously with some senior executives that contain partially deviating conditions governing pensions, notice periods and severance pay will be respected until they cease or are renegotiated.

The Board deems that particular circumstances existed for deviation from the remuneration policies and has decided to allow variable remuneration to the member of Group Management responsible for Commercial.

Remuneration of the President is to be decided within the framework of policies approved by the Board of SAS AB and after preparation and recommendation by the Remuneration Committee established by the Board. Remuneration of other members of Group Management is to be decided by the President within the framework of approved remuneration policies after consultation with the Remuneration Committee.

The 2016/2017 AGM adopted the remuneration policies for senior executives. The remuneration policies for 2016/2017 were updated to state that pension benefits should not exceed a maximum of 30% of fixed annual salary as compared with previously being capped at a ceiling of 30%.

The Board deems sufficient reason exists to set aside the policy of a maximum pension premium of 30% for the CEO Rickard Gustafson, since current benchmarking of CEO salaries in Sweden motivate a pension premium of 40% and total compensation to Rickard Gustafson in the form of annual salary and pension benefits can thereby be considered to be on a par with market rates.

Pursuant to the resolution of the AGM, no variable remuneration is payable to senior executives, except for the Executive Vice President Commercial, and no share-related incentive programs exist at SAS. In conjunction with the changes in Group Management on July 1, 2017 and the dissolution of the Commercial business area; no member of the Group Management has a variable remuneration model.

The detailed guidelines are available on the company's website [www.sasgroup.net](http://www.sasgroup.net) under Corporate governance, 2017 AGM. For detailed information about remuneration and benefits for the Board, President and senior executives in 2016/2017, see Note 3 of the SAS Annual Report 2016/2017.

The guidelines to be proposed to the AGM on April 10, 2018 will be available in good time ahead of the 2018 AGM.

## G. PRESIDENT AND GROUP MANAGEMENT

The Board appoints the President of SAS AB, who is also Group CEO. The Board has delegated responsibility for the day-to-day administration of SAS to the President. Each year, an instruction defining the division of duties between the Board and the President is determined by the Board who also evaluate the work performed by the President. The Board's instructions to the President contain detailed rules governing the President's authority and obligations.

The President liaises, works closely, and has regular meetings with the Chairman to discuss the operations and performance of SAS, and to plan Board meetings. To enable the Board to monitor the financial position of SAS on an ongoing basis, the President makes monthly reports to the Board.

Group Management comprised seven members, including the President, for 2016/2017. During the fiscal year, Annelie Nässén joined the Group Management as Executive Vice President for

Sales & Marketing and Eivind Roald stepped down. The composition and functions of the Group Management are shown on page 60 of the SAS Annual Report 2016/2017.

Group Management is not a corporate body in the sense of Swedish limited company law and as a collegial management body has no legal liability vis-à-vis the Board and shareholders. Only the President reports to the Board. Group Management normally holds minuted meetings every week. These meetings are chaired by the President, who reaches decisions after consulting with the other members of Group Management.

The main business areas of SAS that are not themselves a separate legal entity are led by Group Management through representatives for the respective business area.

Group Management's management and control of operations are based on guidelines and policies regarding financial management and follow-up, communication issues, human resources, legal issues, brands, business ethics and environmental matters.

## INTERNAL CONTROL — FINANCIAL REPORTING

SAS applies COSO, the internationally recognized framework for internal control, to describe and evaluate the Group's control structure.

Internal control of financial reporting is a process involving the Board of Directors, company management and employees, and is designed to provide reasonable assurance regarding the reliability of external reporting. The Board is ultimately responsible for internal control. Five areas that jointly form the basis of a sound control structure are described below.

### CONTROL ENVIRONMENT

The control environment comprises the basis for internal control and includes the culture in which SAS communicates and acts. The Group's ambition is that its values — reliability, openness, care and value-creation — will permeate the organization and the internal control environment.

All actions, internal as well as external, are to reflect these basic values. The SAS Group's Code of Conduct describes the desired approach in various situations, including a structure for reporting deviations from the desired approach. Information concerning governance of the Group is available for all employees on the Group's intranet. These documents describe SAS's control philosophy, control model and entities as well as the companies' roles and responsibilities, owner requirements, overall monitoring, internal business relationships and the allocation of tasks.

### RISK ASSESSMENT

Each year, company management produces a risk assessment that encompasses all operations and is based on the targets of those operations. The risk assessment is presented to the Audit Committee and reviewed continuously throughout the year.

With regard to financial reporting, an assessment of significant risks in relation to major balance sheet and income items is carried out annually. This assessment grades the risks concerning financial reporting, and critical areas are identified.

Furthermore, SAS's internal audit carries out an annual risk assessment that forms the basis of future years' audit plans. Both the risk assessment and the audit plan are presented to company management and the Audit Committee.

## CONTROL ACTIVITIES

Control activities are carried out at different levels within SAS to manage risks and ensure the reliability of financial reporting. During the 2016/2017 fiscal year, SAS continued efforts to define important control activities, or key controls, in relation to significant risks concerning financial reporting. These key controls have been compiled and described in relation to each process as part of SAS's internal control framework. Processes covered by the framework include the management process, accounting process, revenue process, purchasing process, payroll process, asset management process and controls related to IT. The framework is subject to an annual review based on the updated risk assessment concerning risks related to financial reporting. SAS's internal audit carried out a total of five audits during the fiscal year pertaining to:

- Delegation of financial authority
- Framework for internal control
- Technical maintenance agreements
- SAS's capacity to meet new regulatory requirements covering the administration of personal data
- Governance documents and pricing for SAS Cargo

## INFORMATION AND COMMUNICATION

SAS's aim is that the information and communication paths pertaining to the internal control of financial reporting are known and appropriate. All policies and guidelines in the financial areas are on the intranet, under SAS Group Financial Guide. SAS's accounting policies as well as any changes are always communicated by direct dispatch and at regular meetings with those responsible for financial matters in the entities and subsidiaries.

All entities and subsidiaries submit a monthly report on their activities, including their financial status and performance. To ensure that the external information is correct and complete, an IR/Information policy has been adopted by the SAS Board. SAS's published external reports are based on reporting from all legal entities in accordance with a standardized reporting procedure.

Regularly reported financial information includes the annual report, interim reports, monthly traffic reports, press releases, presentations and telephone conferences focused on financial analysts and investors, and meetings with the capital markets in Sweden and abroad. The above information is also available on SAS's website [www.sasgroup.net](http://www.sasgroup.net).

## MONITORING

Internal audits at SAS have been outsourced. The audits carried out by internal audit are based on an annual internal audit plan and are mainly focused on operational risk areas. However, the internal audit plan also covers processes that impact financial reporting and the risk of irregularities, improper favoritism of another party at the company's expense, and the risk of loss or embezzlement. The annual internal audit plan is approved by the Audit Committee and the SAS Group's Board.

Monitoring and continuous evaluation of compliance with policies and guidelines as well as monitoring reported deficiencies are conducted regularly. In connection with monitoring action plans for noted deficiencies in control activities and their control targets, these measures are tested as is their compliance. Recommendations from the external and internal audits and the status of ongoing measures are compiled and presented to Group Management and the Audit Committee. Financial reporting is discussed at each Board meeting and at meetings of the Audit Committee.



# BOARD OF DIRECTORS

The Board is responsible for the organization and administration of the Group, for ensuring proper control of its accounting and other financial circumstances as well as for appointing and removing the President. All members elected by the shareholders' meeting are independent of the company and company management.

The 2017 AGM adopted the Nomination Committee's recommendation for reelection of Fritz H. Schur, Monica Caneman, Carsten Dilling, Lars-Johan Jarnheimer, Dag Mejdell, Sanna Suvanto-Harsaae, Berit Svendsen and Jacob Wallenberg. Fritz H. Schur was reelected Chairman of the Board.

The composition of the Board is based on the fact that SAS operates in a market subject to significant pressure for change and

intense competition as well as growth. Given these conditions, the Nomination Committee is of the opinion that Board continuity is of particular importance. With its experience of SAS and previous action programs related to the qualified Board work, the Nomination Committee deemed the Board to be particularly suited to provide the company's management the necessary support in the ongoing change process.

The Nomination Committee's opinion was that the Code's requirements for diversity, breadth and an even gender balance increased through the Nomination Committee's proposal.

No share convertibles or options have been issued to the Board of SAS AB.



**CHAIRMAN  
FRITZ H. SCHUR, BORN 1951**

Chairman of the Board of SAS AB since April 2008. Member of the Board of SAS AB since 2001.

**Directorships:** Chairman of the companies in the Fritz Schur Group and C.P. Dyvig & Co A/S. Vice Chairman of Brd. Klee A/S.

**Education:** B.Sc. Economics and Business Administration.

**Earlier directorships/positions:** Chairman of Det Danske Klasselotteri A/S, F. Uhrnholt Holding A/S, SN Holding A/S, CVI A/S, PostNord AB and Post Danmark A/S, Chairman of DONG Energy A/S and Vice Chairman of Interbank A/S. Board member of De Post NV/La Poste SA, Belgium, WEPA Industrieholding SE and others.

**Shareholding:** 40,000 common shares and 2,888 preference shares through a legal entity.

**Shareholding of related parties:** 0.

*Independent of the company, the company management and the company's major shareholders.*



**FIRST VICE CHAIRMAN  
JACOB WALLEMBERG, BORN 1956**

Vice Chairman of the Board of SAS AB since 2001.

**Directorships:** Chairman of Investor AB. Vice Chairman of ABB Ltd, FAM AB, Patricia Industries and Telefonaktiebolaget LM Ericsson, and Board member of the Stockholm School of Economics and the Knut and Alice Wallenberg Foundation.

**Education:** B.Sc. Economics and MBA Wharton School, University of Pennsylvania.

**Earlier directorships/positions:** Chairman of SEB. Vice Chairman of Stockholms Handelskammare Service AB, Electrolux AB and Atlas Copco, as well as Board member of the Coca-Cola Company, Stora, WM-data and the Confederation of Swedish Enterprise. President and CEO of SEB, Deputy President and CFO of Investor AB.

**Shareholding:** 10,000 common shares.

**Shareholding of related parties:** 0.

*Independent of the company, the company management and the company's major shareholders.*



**SECOND VICE CHAIRMAN  
DAG MEJDELL, BORN 1957**

Second Vice Chairman of the Board of SAS AB since 2008.

**Directorships:** Chairman of Norsk Hydro ASA, Sparebank 1 SR Bank ASA, NSB AS, International Post Corporation and Telecomputing.

**Education:** MBA, Norwegian School of Economics and Business Administration.

**Earlier directorships/positions:** President and CEO of Dyno Nobel ASA and CEO of Posten Norge AS. Chairman of Arbeidsgiverforeningen Spekter, Svenska Handelsbanken, Region Norway and Vice Chairman of Evry ASA. Board member of DYWIDAG System International GmbH. Industrial advisor IK investment Partners.

**Shareholding:** 4,214 common shares.

**Shareholding of related parties:** 0.

*Independent of the company, the company management and the company's major shareholders.*



**MONICA CANEMAN,  
BORN 1954**

Member of the Board of SAS AB since 2010.

**Directorships:** Chairman of Bravida Holding AB. Board member of Comhem AB and Nets AB.

**Education:** MBA, Stockholm School of Economics.

**Earlier directorships/positions:** Chairman of Allenex AB, Arion Bank hf, Big Ba AB, EDT AS, the Fourth Swedish Pension Fund, Frösunda LSS AB, Interverbium AB and Viva Media Group AB. Board member of Akademikliniken AB, Citymail Group AB, EDB Business Partner ASA, Intermail A/S, Lindorff Group AB, My Safety AB, Nordisk Energiförvaltning ASA, Nya Livförsäkrings AB, Nocom AB, Resco AB, Schibsted ASA, SEB Trygg Liv, Svenska Dagbladet AB and XponCard Group AB.

**Shareholding:** 4,000 common shares.

**Shareholding of related parties:** 0.

*Independent of the company, the company management and the company's major shareholders.*

**Auditors:** PricewaterhouseCoopers AB (PwC)

**Auditor in charge:** Bo Hjalmarsson. Authorized Public Accountant. Elected in 2013.

**Other major engagements:** Ericsson and SAAB.

**Board secretary:** Marie Wohlfahrt, General Counsel.



**CARSTEN DILLING,  
BORN 1962**

Member of the Board of SAS AB since 2014.

**Directorships:** Chairman of NNIT A/S and Icotera A/S, and Board member of Terma A/S.

**Education:** B.Sc. and M.Sc. in Economics and Business Administration, Copenhagen Business School.

**Earlier directorships/positions:** Board member of Get AS, Traen A/S (Chairman), Gatetrade A/S, Columbus IT Partner A/S, Confederation of Danish Industry (DI) and Industrial Employers in Copenhagen (IAK) and a number of Board assignments for the TDC Group. Previously President and CEO of TDC A/S.

**Shareholding:** 0.

**Shareholding of related parties:** 0.

*Independent of the company, the company management and the company's major shareholders.*



**LARS-JOHAN JARNHEIMER,  
BORN 1960**

Member of the Board of SAS AB since 2013.

**Directorships:** Chairman of Qliro-Group, Arvid Nordqvist HAB and Ingka Holding B.V (IKEA's parent company). Board member of Egmont International Holding AS, Wonderboo AB and Elite Hotels.

**Education:** B.Sc. in Business Administration and Economics, Lund and Växjö universities.

**Earlier directorships/positions:** Chairman of BRIS and Eniro AB. Board member of MTG Modern Times Group AB, Millicom International Cellular S.A, Invik and Apoteket AB. President and CEO of Tele2.

**Shareholding:** 10,000 common shares, 2,520 preference shares.

**Shareholding of related parties:** 0.

*Independent of the company, the company management and the company's major shareholders.*



**BERIT SVENDSEN,  
BORN 1963**

Member of the Board of SAS AB since 2016.

**Directorships:** DNB ASA.

**Education:** M.Sc. in Electronic Systems Design, Norwegian University of Science and Technology (NTNU), M.Sc. in Technology Management, NTNU/NHH and Massachusetts Institute of Technology, Sloan School of Management, Boston, USA.

**Earlier directorships/positions:** Chairman of Data Respons ASA. Board member of Bisnode AB, EMGS and Ekornes ASA. Member of the European Commission's advisory group for ICT issues.

**Shareholding:** 0.

**Shareholding of related parties:** 0.

*Independent of the company, the company management and the company's major shareholders.*



**SANNA SUVANTO-HARSAAE,  
BORN 1966**

Member of the Board of SAS AB since 2013.

**Directorships:** Chairman of Altia Oyj, Babysam A/S, Best VPG Holding A/S, BeConcept Holding A/S, Sunset Boulevard A/S, TCM Group A/S, Workz A/S, BoConcept AS and Footway AB. Vice Chairman of Paulig Oj. Board member of Broman group Oyj, CEPOS and Upplands Motor AB.

**Education:** M.Sc. in Business and Economics, Lund University.

**Earlier directorships/positions:** Chairman of Health and Fitness Nordic AB and BTX AS. Board member of Jepak AB, Duni AB, Candyking AB, CCS AB, Clas Ohlson AB and Symrise AG.

**Shareholding:** 0.

**Shareholding of related parties:** 0.

*Independent of the company, the company management and the company's major shareholders.*



**EMPLOYEE REPRESENTATIVE  
ENDRE RØROS, BORN 1972**

Employed at Scandinavian Airlines in Norway. Member of the Board of SAS AB since January 2018.

**Shareholding:** 0.

**Shareholding of related parties:** 0.

**DEPUTIES:**

Pål Gisle Andersen, First Deputy.  
**Shareholding:** 0.

Jan Levi Skogvang, Second Deputy.  
**Shareholding:** 0.

*Jens Lippestad was an employee representative until January 2018, when he was replaced by Endre Røros*



**EMPLOYEE REPRESENTATIVE  
CECILIA VAN DER MEULEN,  
BORN 1955**

Employed at Scandinavian Airlines in Sweden. Member of the Board of SAS AB since 2017.

**Shareholding:** 0.

**Shareholding of related parties:** 0.

**DEPUTIES:**

Stefan Ottosson, First Deputy.  
**Shareholding:** 0.

Joacim Olsson, Second Deputy.  
**Shareholding:** 0.



**EMPLOYEE REPRESENTATIVE  
JANNE WEGEBERG, BORN 1951**

Employed at Scandinavian Airlines in Denmark. Member of the Board of SAS AB since 2016.

**Shareholding:** 0.

**Shareholding of related parties:** 0.

**DEPUTIES:**

Christa Cere, First Deputy.

**Shareholding:** 0.

Kim John Christiansen, Second Deputy.  
**Shareholding:** 0.

# GROUP MANAGEMENT

Group Management is responsible for the company's business management, financial reporting, acquisitions/divestments, financing and communication, and other corporate matters. The members of the Group Management are appointed by the President in consultation with the Board of Directors. Only the President reports to the

Board, although the other members of Group Management report to the President. Group Management's responsibilities are divided among its members with regard to managing the company's business affairs, and minuted meetings are normally held every week.



**RICKARD GUSTAFSON**  
**BORN 1964**

President and CEO.  
Member of SAS Group Management since February 1, 2011.

**Previously:** Various executive positions at GE Capital, both in Europe and the US, and President of Codan/Trygg-Hansa from 2006–2011.

**External directorships:** Chairman of Aleris and Board member of FAM AB.

**Education:** M.Sc. Industrial Economics.

**Shareholding:** 40,000 common shares.  
**Shareholding of related parties:** 5 common shares.

*Rickard Gustafson and related parties have no significant shareholdings or part ownership in companies with which SAS conducts major business.*



**GÖRAN JANSSON,**  
**BORN 1958**

CFO and Deputy President.  
Member of SAS Group Management since March 1, 2011.

**Previously:** CFO and Deputy CEO of Assa Abloy.

**External directorships:** Board member of SPP.

**Education:** Graduate in Business Administration from Stockholm University.

**Shareholding:** 1,330 preference shares.  
**Shareholding of related parties:** 0.



**MATTIAS FORSBERG,**  
**BORN 1972**

Executive Vice President and CIO.  
Member of SAS Group Management since January 1, 2016.

**Previously:** CIO at Systembolaget 2011–2015 and previously CIO at B&B Tools and strategy/management consultant at Accenture, including experience of Swedish and international assignments.

**External directorships:** Member of Skandia's Council of Delegates.

**Education:** MSc in Engineering Physics and Business and Economics from Uppsala University.

**Shareholding:** 0.  
**Shareholding of related parties:** 0.



**CARINA MALMGREN HEANDER,**  
**BORN 1959**

Executive Vice President and Chief of Staff.

Member of SAS Group Management since January 1, 2015.

**Previously:** Several leading positions in HR and operations at Electrolux, Sandvik and ABB.

**External directorships:** Chairman of Svenska Flygbranschen AB. Board member of Projektengagemang AB and Scandinavian Track Group AB.

**Education:** MBA, Linköping University.

**Shareholding:** 0.  
**Shareholding of related parties:** 0.



**ANNELIE NÄSSÉN,**  
**BORN 1968**

Executive Vice President Sales & Marketing.

Member of SAS Group Management since July 1, 2017.

**Previously:** Most recently, VP Global Sales & Revenue Management and has previously held a number of leading positions at SAS's commercial units and Travel Retail.

**External directorships:** None.

**Education:** Bachelor of Management/BI Norwegian Business School Oslo, DIHM Marketing Management/IHM Business School.

**Shareholding:** 933 common shares.  
**Shareholding of related parties:** 0.



**LARS SANDAHL SØRENSEN,**  
**BORN 1963**

Executive Vice President, Chief Operating Officer and Accountable Manager.

Member of SAS Group Management since May 1, 2015.

**Previously:** An international background from senior executive roles in ISS World (Group CCO), SAS Group (Group CCO & CEO of SAS International), Visit Denmark (CEO) and the Confederation of Danish Industry. Partner at AIMS International and an advisor to European large cap active ownership funds.

**External directorships:** NKT Holding A/S, the Danish Industry Foundation, the Board of Management and Business Policy Committee at the Confederation of Danish Industry, Industrial Employers in Copenhagen (IAK) and Sport Event Denmark.

**Education:** Economics & management from Kansai Gaidai University & St. Cloud University and Stanford University.

**Shareholding:** 0.  
**Shareholding of related parties:** 0.



**KARL SANDLUND,**  
**BORN 1977**

Executive Vice President Commercial.

Member of SAS Group Management since February 1, 2014.

**Previously:** Most recently, Executive Vice President & Chief Strategy Officer and previously worked in various management positions for SAS. Karl Sandlund worked for McKinsey before joining SAS in 2004.

**External directorships:** None.

**Education:** M.Sc. in Industrial Engineering and Management from Linköping University.

**Shareholding:** 2,000 common shares, 130 preference shares.

**Shareholding of related parties:** 0.