

**Appendix 12****Principles for compensation to Group Management****Background**

The proposed principles have mainly been used since 1998 and are part of existing employment agreements with Group Management members. The motive for their introduction was to be able to offer employees a market-related compensation package that will enable the company to recruit and retain executive officers.

These principles cover the Group Management including the President and CEO.

**Proposal**

The Board of Directors proposes that the AGM approve the Board's proposal concerning principles for compensation and other employment conditions in accordance with what is stated below.

The compensation to the Group Management shall consist of the following parts: fixed salary, flexible compensation in the form of a Short-Term Incentive (STI) and a Long-Term Incentive (LTI) programme, pension and other compensation.

The Board's proposal for an STI program and an LTI programme has been stated in its entirety in a complete proposal to the AGM for incentive programmes in 2006.

**Fixed salary**

The fixed salary of the Group Management shall be competitive in relation to position and individual qualifications as well as performance. The fixed salary of the Executive Board is re-assessed every second year.

**Pension**

Group Management executive officers, including the President and CEO, shall be covered by a premium-based pension system that applies in addition to the public pension and the ITP occupational pension.

Beyond the above-mentioned pension principle, by means of a separate agreement with the company, the President and CEO has an extra annual pension provision of SEK 4,410,000.

**Conditions of termination**

If the President and CEO resigns of his own volition, he is entitled to his salary for a six-month period. The applicable outcome of flexible compensation shall be proportional to the length of his period of employment during the year in question.

In case of termination by the company before the end of 31 March 2009, during the remaining time until said date the President and CEO shall be entitled to his fixed salary in an unchanged amount per year, plus annual compensation equivalent to the average of flexible compensation for the previous three years.

If the company terminates their employment, the other members of the Executive Board are entitled to severance pay equivalent to a maximum of two years' salary, in addition to their salary during the six-month notice period. If they obtain new employment within 18 months, counting from their termination date, the severance pay ceases. In case of a substantial change in the ownership structure of Scania, the members of the Executive Board are entitled to resign of their own volition with severance pay amounting to two years' salary. For other members of the Group Management, a mutual notice period of six months applies.

### **The Remuneration Committee of the Board of Directors**

Preparation of compensation issues is handled as follows. With regard to the President and CEO, after discussion between the Chairman and the President and CEO, the Remuneration Committee proposes a fixed salary, criteria for flexible compensation and other employment conditions, which are then adopted by the Board of Directors. For other Executive Board members, after discussion with each respective executive officer, the President and CEO proposes the equivalent employment conditions, which are then adopted by the Remuneration Committee and reported to the Board. Employment conditions for other Group Management executive officers are adopted by their respective immediate supervisors, after discussion with each respective executive officer.