

# CORPORATE GOVERNANCE REPORT 2012/2013



# Corporate governance

## Corporate Governance Report

SAS AB is the Parent Company for operations at SAS and a Swedish public limited company headquartered in Stockholm, Sweden. Since July 2001, SAS AB has been listed on the NASDAQ OMX Stockholm with secondary listings in Copenhagen and Oslo. The objective of corporate governance is to provide SAS with effective management and control of its operations in combination with adequate transparency, clarity and proper business ethics.

This report constitutes the SAS Group's corporate governance report for the 2012/2013 fiscal year and has been prepared pursuant to the Swedish Annual Accounts Act and the provisions of the the Swedish Corporate Governance Code (the Code) based on the revision of the Code issued in February 2010.

### Departure from the Code

Since the implementation of the Code, the SAS Group has followed the Code with the exception of the following instance: SAS conducts shareholder's meetings in Swedish, Norwegian and Danish, which departs from clause 1.5 of the Code.

Reason for the departure: the Articles of Association for SAS AB specify that the language used at shareholders' meetings is to be Swedish, Danish or Norwegian, and, if the Board so decides, other languages as well. The reason all three Scandinavian languages are used at shareholders' meetings is due to the strong Scandinavian nature of the SAS Group with the largest number of shareholders in Denmark as well as a management and Board comprising citizens of all three Scandinavian countries. 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.

### Legal framework governing the SAS Group

The key rules and regulations for SAS AB are:

#### External rules

- Swedish legislation
- The Swedish Corporate Governance Code (the Code)
- The NASDAQ OMX Rules for Issuers
- The recommendations issued by relevant Swedish and international organizations

No breach of the relevant stock exchange rules or of good stock market practices have been reported by NASDAQ's Disciplinary Committee or the Swedish Securities Council.

#### Internal rules

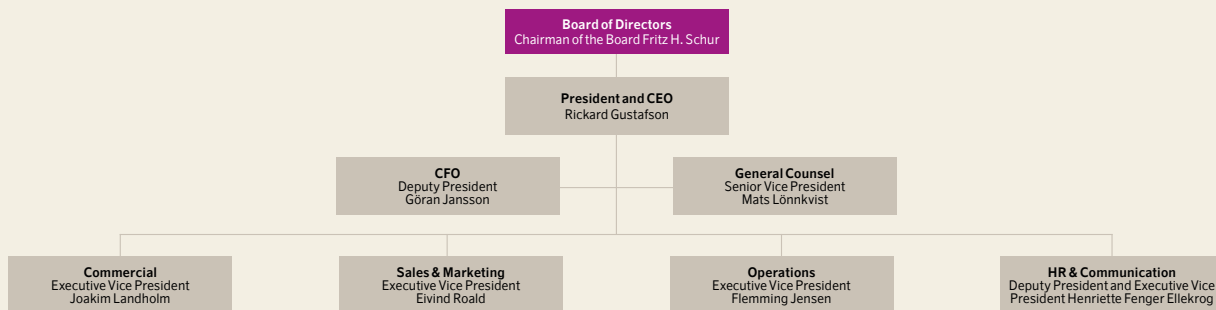
- The Articles of Association
- Information/IR policy
- The Board's work plan
- The Board's instructions to the President
- Internal policies and guidelines including the Code of Conduct

### Shareholders' meeting

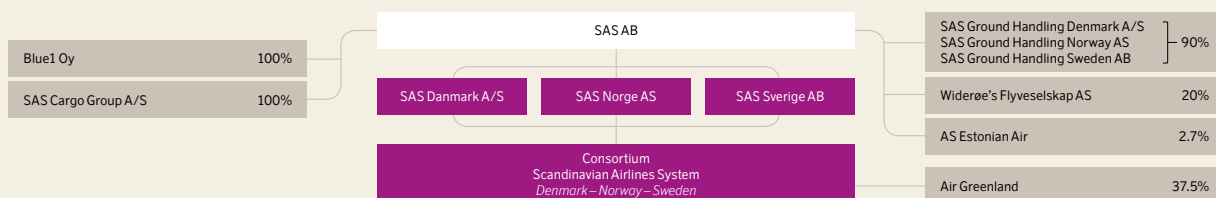
At the Shareholders' Meeting of SAS AB, which is the company's highest decision-making body, one share is equal to one vote with no restrictions on the number of votes any one shareholder is entitled to.

The shareholders' meeting may be held in Stockholm or in Sigtuna. Up until 2013, a provision in the company's Articles of Association stated that shareholders may also attend the meeting from locations in Copenhagen and Oslo via telecommunications links. The 2013 Annual General Shareholders' Meeting (AGM) resolved to change the Articles of Association so

### Organization and control



### SAS Group's legal structure January 27, 2014



that, in future, shareholders' meetings could be held at only one location in Stockholm or Sigtuna. This change is part of the SAS Group's initiatives to streamline operations.

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 in Sweden, Denmark and Norway and announced in press releases as well as published on the company's website. The company e-mails notices to shareholders who have requested this service via Shareholder Service on the company website; 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. The Board of SAS has proposed to the 2014 AGM that the Articles of Association be amended to allow the issue of preference shares and that the Board be authorized to decide on new issue of a maximum of 7 million preference shares up to the 2015 AGM. Furthermore, the Board has proposed the authorization of the Board until the 2015 AGM to issue convertible bonds in an amount not exceeding SEK 2 billion, with entitlement to a maximum amount of 130 million common shares on conversion.

### Nomination Committee

The Nomination Committee 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. Members of the Nomination Committee, irrespective of how they were appointed, must address the interests of all shareholders. In conjunction with the 2013 AGM, an instruction for the Nomination Committee was adopted. Ahead of the 2014 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 auditors, auditors' fees and the Nomination Committee ahead of the 2015 AGM.

#### Nomination Committee, three minuted meetings

Jonas Iversen, Ministry of Finance, for the Swedish Government (Chairman)  
 Peter Brixen, Danish Ministry of Finance  
 Knut J. Utvik, Norwegian Ministry of Trade, Industry and Fisheries  
 Peter Wallenberg Jr, Knut and Alice Wallenberg Foundation  
 Karsten Billoft, Danmarks Nationalbank (through October 2013)

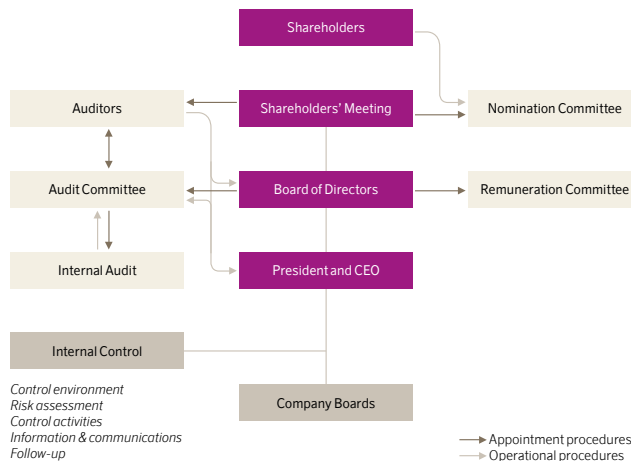
The Nomination Committee has evaluated the Board's work, qualifications and composition. The Chairman liaises closely with the Committee, and the result of the evaluation of the Board is made available to the Committee. At least one meeting with the Chairman and Group CEO must be held before the Nomination Committee submits its recommendations to the AGM. The Nomination Committee's recommendations are published in the notice convening the AGM, on the company 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 Nomination Committee utilizes outside advisers and consultants, with SAS defraying the cost.

### Board of Directors

The Articles of Association stipulate that the Board of Directors consist of six to eight members elected by the shareholders' meeting. During the year, the Board comprised seven 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.

### Corporate governance, governance structure

SAS AB had 61,383 shareholders on October 31, 2013. The major shareholders are the three Scandinavian governments. The largest private shareholders are the Knut and Alice Wallenberg Foundation, Avanza Pension, JPM Chase, Unionen and the funds of various banks.



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 as a member of the Board. The experience of the Board members and their independence in relation to the owners of the company are disclosed on pages 8–9.

The average age of members is 56 and two of the seven 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, while one member is not regarded as being independent of the company's major shareholders. Owing to his position as President and CEO of Posten Norge AS, wholly owned by the Norwegian government, Dag Mejdell is not regarded as independent in relation to major shareholders. 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 Board's work

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's work follows a plan intended, among other things, to ensure the Board receives all necessary information. 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. The 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.

In November 2012–October 2013, the Board of Directors held 15 scheduled meetings. Senior executives in the company attended Board meetings to make presentations and the General Counsel of the SAS Group served as the Board's secretary. At its meetings, the Board discussed the regular business items presented at the respective meetings including business and market conditions, risk assessment, financial reporting and follow-up, the company's financial position, and investments. The Board also discussed any sustainability-related information of material importance.

### Main issues dealt with at Board meetings

- 11/5: Status of negotiations with banks and shareholders regarding the new credit facility.
- 11/7: Report for the third quarter, review of refinancing plan and restructuring plan.
- 11/16: Restructuring plan status – union negotiations.
- 11/19: Same subject as the meeting of November 16.
- 12/11: Year-end report, PULS and evaluation of the Board’s work.
- 2/15: Status for the restructuring program – pensions, IT transformation, Widerøe, administration and Ground Handling, adoption of budgets, adoption of the annual report, EuroBonus in Norway and adoption of the new Information Policy.
- 3/7: Adoption of the report for the first quarter.
- 3/20: Presentation of and decision on the new commercial concept, review of flight safety work and the status of the restructuring program.
- 4/29: Review of the financial position and preparedness, decision on the sale of Widerøe, joint venture with Lufthansa, move of the head office to Frösundavik and adoption of the Board’s (and its committees’) written instructions and a work plan.
- 6/10–11: Strategy meeting, risk assessment, adoption of the report for the second quarter, update of the SAS financial policy, review of sick leave, mandate for investment in long-haul and issue of the EMTN bond.
- 9/3: Sale of Ground Handling to Swissport, adoption of the report for the third quarter, issue of bond loan, review of operational quality and customer deliveries, and the follow-up of new commercial concepts.
- 10/24: Status and follow-up of the restructuring program, sick leave reporting, market and revenue follow-up, budget for 2013/2014, and evaluation of the work of the Board and CEO.

In addition, there was one statutory meeting and two by correspondence.

To streamline and enhance the work of the Board, there are two committees; the Remuneration Committee and the Audit Committee, whose members 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 or its members’ 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 work plan stipulated by the Board. The General Counsel of the SAS Group serves as the secretary to the committees and minutes of committee meetings are provided to all Board members. Remuneration for work on Board committees is determined by the AGM.

### Remuneration Committee

Remuneration and other terms of employment for senior executives are designed with a view to ensuring the company’s access to executives possessing the requisite skills for the company at a cost appropriate to the company and so that they have the intended effects for the company’s operations.

#### Remuneration Committee, one minuted meeting

	Number of meetings attended
Fritz H. Schur (Chairman)	1
Jacob Wallenberg	1
Dag Mejdell	1

The Group’s Remuneration Committee complies with the Code’s instructions. The Code specifies that members of the Remuneration Committee must be independent of the company or company management. Fritz H. Schur, Jacob Wallenberg and Dag Mejdell are independent in relation to the company and company management. The Remuneration Committee prepares proposals for remuneration policies and other employment terms for resolution at the AGM.

At the start of the 2012/2013 fiscal year, the Remuneration Committee evaluated the existing remuneration structures and levels in the company, whereupon the Remuneration Committee and the Board found that these were not, in all regards, in line with market rates. Accordingly, a salary cut of between 5 and 20 percent was decided for all members of the Group Management effective from December 1, 2012.

The Remuneration Committee has followed and discussed the substantial work in preparing a revised strategy and the subsequent extensive reorganization processes that SAS has implemented and which are still ongoing. In its evaluation, the Committee expressed its support for the measures taken by the Group Management to guarantee these efforts through the use of so-called “stay-on” replacements for certain key skills outside the Group Management.

### Attendance at Board meetings, November 2012–October 2013

	Nov 5	Nov 7	Nov 16	Nov 19	Dec 11	Feb 15 <sup>1</sup>	Mar 7	Mar 20 <sup>2</sup>	Apr 29	Jun 10–11 <sup>1</sup>	Sep 3	Oct 24
Fritz H. Schur, Chairman	●	●	●	●	●	●	●	●	●	●	●	●
Jacob Wallenberg, Vice Chairman	●	●	●	●	●	●	●	●	●	●	●	●
Monica Caneman, member	●	●	●	○	●	●	●	●	●	●	●	●
Jens Erik Christensen, member	●	●	●	●	●	●	○	●				
Lars-Johan Jarnheimer, member									●	○	●	●
Birger Magnus, member									●	●	●	●
Sanna Suvanto-Harsaae, member									●	●	●	●
Dag Mejdell, Second Vice Chairman	○	●	●	●	●	●	●	●	●	●	●	●
Gry Mølleskog, member	●	●	●	●	●	●	●	●				
Timo Peltola, member	●	●	●	●	●	●	●	●				
Ulla Grøntvedt, employee representative	●	●	●	●	●	●	●	●	●	●	●	●
Anna-Lena Gustafsson, employee representative	●	●	●	●	●	●	●	●	●	●	●	●
Elisabeth Goffeng, employee representative	●	●	●	○	●	●	●	●	●	●	●	●

● Present ○ Absent

1) A meeting was held by correspondence on February 14, 2013. In addition to the meeting of June 11, 2013 another meeting was held by correspondence.

2) The meeting of March 20, 2013 was a statutory meeting.

## Audit Committee and financial reporting

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 reports 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 and verified irregularities, and other matters affecting the company's financial reporting. The company's external auditor attends all meetings of the Audit Committee. The Board scrutinizes and approves the company's year-end and interim reports.

Without otherwise impacting the responsibilities and obligations of the Board, the Audit Committee is tasked with monitoring the company's financial reporting, including, the audit of the annual report and consolidated financial statements, 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 the General Shareholders' Meetings.

### Audit Committee, five minuted meetings

	Number of meetings attended
Timo Peltola (Chairman until March 20, 2013)	3
Jens Erik Christensen (until March 20, 2013)	2
Monica Caneman (Chairman from March 20, 2013)	5
Lars-Johan Jarnheimer (from March 20, 2013)	2
Birger Magnus (from March 20, 2013)	2

All members of the Audit Committee are independent in relation to the SAS Group, the management and the shareholders in line with the Code. Besides the Committee Secretary, the SAS Group CFO and the company's external auditor attend meetings of the Committee.

## Auditors

Auditors are elected by the AGM and tasked with scrutinizing the company's financial reporting and administration of the company by the Board and the President. An election was conducted to appoint an auditor at the 2013 AGM, whereby PricewaterhouseCoopers AB (PwC) was elected for the period until the end of the 2014 AGM. The principal auditor is Bo Hjalmarsson. In addition to SAS AB, he has audit engagements for companies that include Eniro and Teracom. On two occasions during the 2012/2013 fiscal year, the principal auditor met with the Board, presenting the program for auditing work and reporting observations from the audit.

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 audit report regarding 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 for a total invoiced amount of MSEK 0.6. Auditors' fees for work performed are in line with the resolution of the AGM. For more information about the auditors' fees in 2012/2013, see Note 39.

## 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 company and Group operations 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. Group Management comprised seven members, including the President, for the majority of 2013. The composition of members of Group Management is shown on pages 10–11.

The President liaises and works closely with the Chairman while meeting regularly with the Chairman to discuss the Group's activities and performance and to plan Board meetings. To enable the Board to monitor the Group's financial position on an ongoing basis, the President makes monthly reports to the Board.

## Fees decided at the 2013 Annual General Shareholders' Meeting

Name	Nationality	Independent	Board	Audit Committee	Remuneration	
					Committee	Total, TSEK
Fritz H. Schur	DK	Yes	585		70	655
Jacob Wallenberg	SE	Yes	390		25	415
Dag Mejdell	NO	No <sup>1</sup>	345		25	370
Monica Caneman	SE	Yes	295	95		390
Lars-Johan Jarnheimer	SE	Yes	295	45		340
Birger Magnus	NO	Yes	295	45		340
Sanna Suvanto-Harsaae	FI	Yes	295			295
Elisabeth Goffeng	NO	-	295			295
Ulla Gröntvedt	SE	-	295			295
Anna-Lena Gustafsson	DK	-	295			295
<b>Total</b>			<b>3,385</b>	<b>185</b>	<b>120</b>	<b>3,690</b>

1) Dag Mejdell is not considered independent in relation to major shareholders (but is independent in relation to SAS and its management).

## Outcome November 2012–October 2013, recorded fees for employee representatives

Christian Anderström	SEK 6,000
Erik Bolin	SEK 3,000
Sven Cahier	SEK 9,000
Bo Nielsen	SEK 9,000
Rune Thuv	SEK 7,000
Per Weile	SEK 9,000
Asbjørn Wikestad	SEK 9,000

On their own initiative, as part of the SAS Group's restructuring program, all Board members reduced their Directors' fees decided by the 2012 Annual General Shareholders' Meeting by 30%, as of November 5, 2012. For existing Board members in November 2012, the above fees less 30% as decided by the AGM apply even after the 2013 AGM. The fees set by the AGM apply for Board members newly elected at the 2013 AGM.



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 has minuted meetings every week. These meetings are chaired by the President, who reaches decisions after consulting with the other members of Group Management.

Those of the Group's main business areas 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 a number of guidelines and policies regarding financial management and follow-up, communication issues, human resources, legal issues, the Group's brands, business ethics and environmental matters.

### Remuneration policies and other terms of employment for company management

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. The 2013 AGM adopted the remuneration policies and other terms of employment for senior executives. The remuneration policies for 2013 remained unchanged compared with those that applied in 2012. In conjunction with the negotiations regarding new collective agreements in 2012, a decrease in pay of between 5 and 20 percent was decided for all members of Group Management from December 1, 2012. Pursuant to the resolution of the AGM, no variable remuneration is payable to senior executives and no share-related incentive programs exist in SAS. The Board deems that particular circumstances exist for deviation from the remuneration policies with regard to the Board's decision to allow

variable remuneration to the member of Group Management responsible for Sales & Marketing, see Note 3 on page 59.

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

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 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.

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 detailed guidelines are available on the company's website. For detailed information about remuneration and benefits for the Board, President and senior executives in 2013 see Note 3, page 59.

## Annual General Shareholders' Meeting

The Annual General Shareholders' Meeting of the SAS Group is to be held on February 18, 2014 at 3:00 p.m. at the following venue:

**Stockholm-Arlanda:** Clarion Hotel, Arlanda Airport

### Attending the Annual General Shareholders' Meeting

Shareholders who wish to attend the Annual General Shareholders' Meeting must notify the company in advance. Details about notification will be published in the notice convening the Annual General Shareholders' Meeting.

### Proposals or questions for inclusion in the notice of the Annual General Shareholders' Meeting

Shareholders who wish to address a specific question or who have a proposal for inclusion in the notice convening the Annual General Shareholders' Meeting may do so. The deadline for proposals is stated in good time in line with the provisions of the Code on the SAS website.

### Items in the notice

- The deadline for receiving business to be included in the notice is January 2, 2014.

### Sending of the notice and notification of attendance

- The notice is to be sent on January 16, 2014.
- Deadline for notification of attendance: February 12, 2014 in Sweden and February 11, 2014 in Norway and Denmark.

### Record day

- February 12, 2014

### Admission cards to the AGM will be sent on

- February 12–13, 2014

### Annual General Shareholders' Meeting

- February 18, 2014



## Internal control – financial reporting

The SAS Group 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, executive management and employees, and is designed to provide reasonable assurance regarding the reliability of external reporting. Internal control of financial reporting is described below in five areas that jointly form the basis of a sound control structure.

### Control environment

The control environment comprises the basis for internal control and includes the culture in which the SAS Group 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.

The Group's control of operations includes clear leadership, competent employees and efficiently organized operations. Information concerning governance of the Group is available for all employees on the Group's intranet. These documents describe the Group's control philosophy, control model, entities as well as the company's roles and responsibilities, owner requirements, overall follow-up, internal business relationships and the allocation of tasks.

### Risk assessment

Every year, company management performs a risk assessment regarding financial reporting to ensure that operational goals are met. The assessment of risks in various major balance sheet and income items is graded where

critical areas have been identified. The SAS Group's internal audit function performs an ongoing overarching risk assessment that results in an annual audit plan. The audits performed by the internal audit are primarily aimed at operational auditing, but also focus on 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 audit plan is approved by the Audit Committee and the SAS Group's Board. Until May 2013, internal audit was managed internally at SAS and, thereafter, carried out externally through Deloitte who have substantial knowledge of SAS from earlier extensive experience as auditors of the company.

### Control activities

Control activities cover, inter alia, internal control in each respective entity and subsidiary of the Group.

SAS has prepared a questionnaire with defined control targets in the management process, accounting process, revenue process, purchasing process, payroll process and asset management process (the Internal Control Questionnaire). These control targets also include IT controls that safeguard change management, user administration and procedures and responsibilities. The management of all entities and subsidiaries conduct their own annual assessment of the internal control in relation to the fulfillment of control targets, including documentation of the processes used in the control activities. This control and evaluation also comprises processes conducted by third parties. The evaluation is also reviewed by the external auditors who make an independent assessment of status and improvement potential. In the event of evaluations not being approved, whereby the assessment by the external auditor prevails, action plans are prepared, which are subject to monitoring. In the 2012/2013 fiscal year, this audit was performed internally and the total assessment of this audit was that the internal control of financial reporting was satisfactory.

In all cases, the audits performed by internal audit result in recommendations which are graded according to a risk perspective. These recommendations result in action plans that are jointly followed up by the SAS Group's management and Audit Committee.

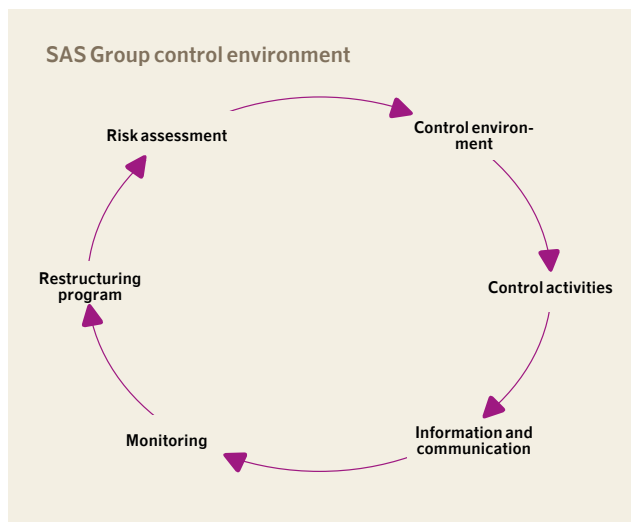
### Information and communication

The SAS Group'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". The SAS Group'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, the SAS Group pursues an information policy regarding disclosures to the stock exchange and an Investor Relations policy that has been laid down by the SAS Group's Board. This policy is available on the Group's website under Investor Relations.

The SAS Group's published external reports are based on reporting from all legal entities in accordance with a standardized reporting procedure. Financial information reported regularly includes the annual report, interim reports, press releases, presentations and telephone conferences focused on financial analysts, investors and meetings with the capital market in Sweden and abroad. The above information is also available on the Group's website [www.sasgroup.net](http://www.sasgroup.net).

### Monitoring

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 the "Internal Control Questionnaire" these actions 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 the President. All Board members elected by the Shareholders' Meeting are independent of the company and company management.

The 2013 AGM adopted the Nomination Committee's recommendation for reelection of the following Board members of SAS AB: Fritz H. Schur, Dag Mejdell, Jacob Wallenberg and Monica Caneman. Three new members were elected in line with the proposal of the Nomination Committee, namely: Lars-Johan Jarnheimer, Birger Magnus and Sanna Suvanto-Harsaae. Fritz H. Schur was reelected Chairman of the Board.

The changes in the Board's composition adopted at the 2013 AGM were based on the need identified by the Nomination Committee for strengthening the Board by members with leadership experience of change management, extensive and in-depth experience of commercial focus on customer and consumer issues as well as experience of work with the strategic development of business models.

Furthermore, the Nomination Committee's opinion is that the Code's requirements for diversity, breadth and an even gender balance will be satisfied in a relevant manner.

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. Chairman of DONG Energy A/S, F. Uhrenholt Holding A/S and C.P. Dyvig & Co. A/S. Vice Chairman of the Board of Brd. Klee A/S. Board member of WEPA Industrieholding SE. *Education:* B. Sc. Economics and Business Administration. *Earlier directorships/positions:* Chairman of Det Danske Klasselotteri A/S, SN Holding A/S, CVI A/S, PostNord AB and Post Danmark A/S. Vice Chairman of Interbank A/S and Board member of De Post NV/La Poste SA, Belgium, and others. *Shareholding:* 40,000.



**First Vice Chairman Jacob Wallenberg, born 1956**

Vice Chairman of the Board of SAS AB since 2001. *Directorships:* Chairman of Investor AB. Vice Chairman of Ericsson AB and SEB and Board member of ABB Ltd, The Coca-Cola Company, the Knut and Alice Wallenberg Foundation and the Stockholm School of Economics. *Education:* B.Sc. Economics and MBA Wharton School, University of Pennsylvania. *Earlier directorships/positions:* Vice Chairman of Stockholms Handelskammare Service AB, Electrolux AB and Atlas Copco, as well as Board member of the Confederation of Swedish Enterprise and the Nobel Foundation. *Shareholding:* 10,000.



**Second Vice Chairman Dag Mejdell, born 1957**

Second Vice Chairman of the Board of SAS AB since 2008. President and CEO of Posten Norge AS. *Directorships:* Chairman of Arbeidsgiverforeningen Spekter and International Post Corporation. Vice Chairman of the Board of EVRY ASA and Board member of Norsk Hydro ASA and IK investment. *Education:* MBA, Norwegian School of Economics and Business Administration. *Earlier directorships/positions:* President and CEO of Dyno Nobel ASA. Chairman of Svenska Handelsbanken, Region Norway. Board member of DYWIDAG System International GmbH. *Shareholding:* 4,214.



**Monica Caneman, born 1954**

Member of the Board of SAS AB since 2010. *Directorships:* Chairman of the Fourth Swedish Pension Fund, Arion bank hf and Big Bag AB. Board member of Storebrand ASA, Poolia AB, My Safety AB, Intermail A/S, SOS Children's Villages and Schibsted Sverige AB. *Education:* MBA, Stockholm School of Economics. *Earlier directorships/positions:* Board member of EDT AS, Allenex AB, Frösunda LSS AB and Interverbum AB. Board member of Schibsted ASA, Resco AB, Nocom AB, Akademikliniken AB, Nya Livförsäkrings AB, SEB Trygg Liv, XponCard Group AB, Lindorff Group AB, Citymail Group AB, EDB Business Partner ASA, Nordisk Energiförvaltning ASA and Svenska Dagbladet AB. *Shareholding:* 4,000.





**Lars-Johan Jarnheimer, born 1960**  
Member of the Board of SAS AB since 2013.  
*Directorships:* Chairman of CDON Group, Eniro AB and Arvid Nordqvist HAB. Board member of Ingka Holding BV (IKEA's parent company) and Egmont International Holding AS. *Education:* Bachelor of Science in Business Administration and Economics, Lund and Växjö universities. *Earlier directorships/positions:* Chairman of BRIS. 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.



**Birger Magnus, born 1955**  
Member of the Board of SAS AB since 2013.  
*Directorships:* Chairman of Storebrand ASA, Hafslund ASA and Bmenu AS. Board member of Wevideo Inc, Kristian Gerhard Jebsen Group, Aschehoug AS, Aktiv mot Kreft and Harvard Business School Publishing. *Education:* MBA, INSEAD and M.Sc., University of Science and Technology. *Earlier directorships/positions:* Chairman of Svenska Dagbladet, Aftonbladet, Aftenposten, VG, Media Norge and 20 Min Holding. *Shareholding:* 0.



**Sanna Suvanto-Harsaae, born 1966**  
Member of the Board of SAS AB since 2013.  
*Directorships:* Chairman of Babysam AS, Sunset Boulevard AS, VPG AS and Best Friend AB. Member of the Board of Paulig Oy, Clas Ohlson AB, Altia OY, CCS AB and Upplands Motor AB. *Education:* Master of Science (Business and Economics), Lund University. *Earlier directorships/positions:* Chairman of Health and Fitness Nordic AB and BTX AS. Board member of Jetpak AB, Duni AB, Candyking AB and Symrise AG. *Shareholding:* 0.



**Employee representative**  
**Asbjörn Wikestad, born 1948**  
Employed at Scandinavian Airlines in Norway. Member of the Board of SAS AB since November 2013. *Shareholding:* 0.  
*Deputies:* Rune Thuv, First Deputy.  
*Shareholding:* 10,238.  
Jan Levi Skogvang, Second Deputy.  
*Shareholding:* 0.



**Employee representative**  
**Ulla Gröntvedt, born 1948**  
Employed at Scandinavian Airlines Sweden. Member of the Board of SAS AB since 2001. *Shareholding:* 2,000.  
*Deputies:* Sven Cahier, First Deputy.  
*Shareholding:* 418.  
Erik Bohlin, Second Deputy.  
*Shareholding:* 0.



**Employee representative**  
**Anna-Lena Gustafsson, born 1959**  
Employed at Scandinavian Airlines Denmark. Member of the Board of SAS AB since September 2011. *Shareholding:* 0.  
*Deputies:* Bo Nielsen, First Deputy.  
*Shareholding:* 392.  
Per Weile, Second Deputy.  
*Shareholding:* 656.

**Auditors** PricewaterhouseCoopers AB (PwC)

**Principal auditor** Bo Hjalmarsson, Authorized Public Accountant. Elected in 2013.

**Other major engagements** Eniro and Teracom.

**Corporate Secretary** Mats Lönnkvist, General Counsel, SAS Group and Member of SAS Group Management.

## Group Management

Group Management is responsible for the Group's business management, financial reporting, acquisitions/disposals, financing and communication and other corporate matters. The members of 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 Group's business affairs, and minuted meetings are normally held every second week.



**Rickard Gustafson, born 1964  
President and CEO**

Member of SAS Group Management from February 1, 2011. *Previously*, various executive positions in GE Capital, both in Europe and the US, and President of Codan/Trygg-Hansa from 2006–2011. *External directorships*: none. Education: Master of Science, Industrial Economics. *Shareholding*: 40,000. No related parties or companies of Rickard Gustafson have any shareholdings in SAS AB.



**Henriette Fenger Ellekrog, born 1966  
Deputy President and Executive Vice President, Human Resources and Communication**

Member of SAS Group Management from October 1, 2007. Since 2007, responsible for Human Resources and, since 2010, responsible for Communication. *Previous positions include*: 1998–2007 various executive positions at TDC A/C, most recently as Senior Executive Vice President, Corporate HR and Chief of Staff. Prior to that, various positions and management posts at Mercuri Urval A/S and Peptech (Europe) A/S. *External directorships*: Chairperson of the Swedish Aviation Industry Group, Board member of Svenskt Flyg, Fonden for Dansk-Norsk Samarbejde and the Advisory Board for women in management positions and the Boards of the Confederation of Danish Industry. Education: Cand. ling. merc. degree from the Copenhagen Business School. *Shareholding*: 12,200.



**Göran Jansson, born 1958  
Deputy President and CFO**

Member of SAS Group Management since 2011. *Previously* CFO and Deputy CEO of Assa Abloy. *External directorships*: Board member of Axis Communication AB and SPP. Education: Graduate in Business Administration from Stockholm University. *Shareholding*: 0.



**Flemming Jensen, born 1959  
Executive Vice President Operations**

Member of SAS Group Management since September 14, 2011. Flemming Jensen joined SAS in 1989 and, since 2008, has held a number of executive positions in SAS production including Chief Operating Officer Production Unit CPH. During the period 2002–2008, he was Chief Pilot and before that, a pilot. *External directorships*: Board member of Industrial Employers in Copenhagen (IAK) and a member of the Board and Executive Committee of the Confederation of Danish Industry. Education: Pilot in the Danish Air Force. *Shareholding*: 14,100.



**Joakim Landholm, born 1969**

**Executive Vice President Commercial**

Member of SAS Group Management since January 16, 2012. Joakim Landholm joins SAS from a position as Chief Operating Officer at RSA Scandinavia, which comprises Trygg-Hansa and Codan. He has an extensive background in management, strategy and analysis from GE Money Bank, Accenture and Swedbank. *External directorships:* none. *Education:* Master of Business Administration from the Stockholm School of Economics. *Shareholding:* 0.



**Mats Lönnkvist, born 1955**

**Senior Vice President, General Counsel**

Member of SAS Group Management since 2009. Head of Legal, Insurance and Public Affairs, and is the Board secretary at SAS AB. *Previous engagements/posts:* Various legal posts in the SAS Group 1988–2009, the law firm of Mannheimer & Zetterlöf 1984–1988. *External directorships:* none. *Education:* Law degree from Uppsala University. *Shareholding:* 2,704.



**Eivind Roald, born 1966**

**Executive Vice President Sales & Marketing**

Member of SAS Group Management since April 1, 2012. Eivind Roald joined SAS after seven years as the President of Hewlett Packard in Norway. He also has 16 years' experience from such companies as Accenture and Willi Railo Consulting, where he focused on the restructuring of sales and marketing functions. *External directorships:* Inmeta Crayon. *Education:* Bachelor's degree from the Norwegian Management School (BI). *Shareholding:* 84,000.



**Karl Sandlund, born 1977**

**Executive Vice President Strategic Initiatives**

Member of SAS Group Management since February 1, 2014. Karl Sandlund comes from a position as Vice President Network & Partners and previously worked in management roles with strategic assignments for SAS. Karl Sandlund worked for McKinsey before joining SAS in 2004. *External directorships:* none. *Education:* Master of Science in Industrial Engineering and Management from Linköping University. *Shareholding:* 2,000.

The Board of Directors and the President hereby give their assurance that the Annual Report has been prepared pursuant to the Swedish Annual Accounts Act and RFR 2, Accounting for Legal Entities, and provides a true and fair view of the company's financial position and earnings and that the Report by the Board of Directors provides a true and fair overview of the company's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the company is exposed.

The Board of Directors and President hereby give their assurance that the consolidated financial statements have been prepared pursuant to the International Financial Reporting Standards (IFRS) as adopted by the EU, and provide a true and fair view of the Group's financial position and earnings, and that the Report by the Board of Directors for the Group provides a true and fair overview of the performance of the Group's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the companies in the Group are exposed.

Stockholm, January 27, 2014

**Fritz H. Schur**

Chairman of the Board

**Jacob Wallenberg**

First Vice Chairman

**Dag Mejdell**

Second Vice Chairman

**Monica Caneman**

Board Member

**Lars-Johan Jarnheimer**

Board Member

**Birger Magnus**

Board Member

**Sanna Suvanto-Harsaae**

Board Member

**Asbjørn Wikestad**

Board Member

**Ulla Grøntvedt**

Board Member

**Anna-Lena Gustafsson**

Board Member

**Rickard Gustafson**

President and CEO

As stated above, the annual accounts and consolidated financial statements were approved for issuance by the Board of Directors on January 27, 2014. The Group's statement of income and balance sheet and the Parent Company's statement of income and balance sheet will be subject to adoption by the Annual General Shareholders' Meeting on February 18, 2014.

Our auditors' report was submitted on January 27, 2014

PricewaterhouseCoopers AB

Bo Hjalmarsson  
Authorized Public Accountant  
Principal Auditor

Christine Rankin  
Authorized Public Accountant

## Auditor's report

To the annual meeting of the shareholders of SAS AB,  
Corporate Registration Number 556606-8499

### Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of SAS AB for the year November 1, 2012–October 31, 2013, with the exception of the Corporate Governance Report on pages 82–91. The company's annual accounts and consolidated financial statements are included in the printed version of this document on pages 37–92.

#### *Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts*

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and that the consolidated accounts are prepared and fairly represented in accordance with International Financial Statements Standard as such they have been approved by the EU, and the Account act and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinions*

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of October 31, 2013 and its financial performance and cash flows for the year in accordance with the Annual Accounts Act, and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of October 31, 2013 and its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the Group.

#### *Other matters*

The audit of the annual accounts for the January 1, 2012– October 31, 2012 fiscal year was performed by another auditor who submitted an auditor's report dated February 15, 2013, with unmodified opinions in the Report on the annual accounts.

### Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of SAS AB for the year the November 1, 2012– October 31, 2013 fiscal year.

#### *Responsibilities of the Board of Directors and the President*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

#### *Auditor's responsibility*

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Swedish Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### *Opinions*

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the Report by the Board of Directors and that the members of the Board of Directors and the President be discharged from liability for the fiscal year. A corporate governance report has been prepared and the statutory information it contains is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm January 27, 2014  
PricewaterhouseCoopers AB

Bo Hjalmarsson  
Authorized Public Accountant  
Principal Auditor

Christine Rankin  
Authorized Public Accountant