

CORPORATE GOVERNANCE REPORT

This Corporate Governance Report for the 2015/2016 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 issued in November 2015.

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 the 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 recommendations issued by relevant Swedish and international organizations
 - Flight safety regulations and certifications
 - Accounting rules

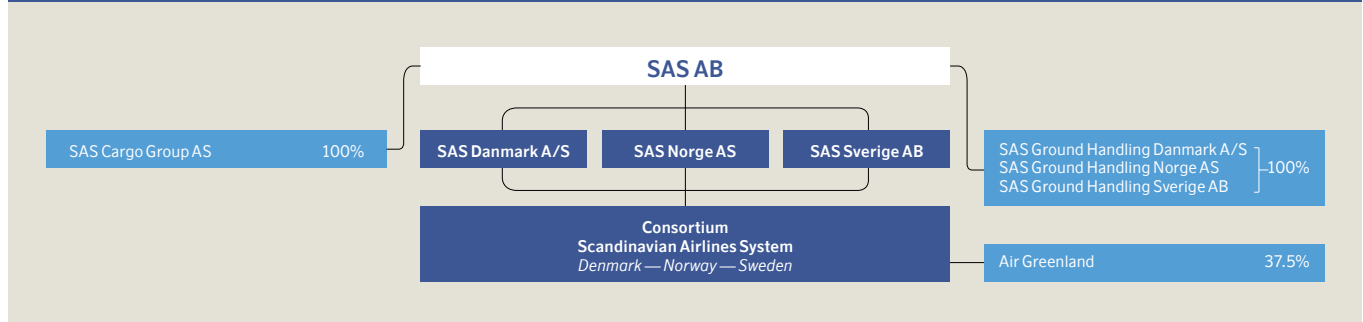
Internal rules:

- The Articles of Association¹
- Information/IR policy
- The Board's work plan
- The Board's instructions to the President
- Code of Conduct¹

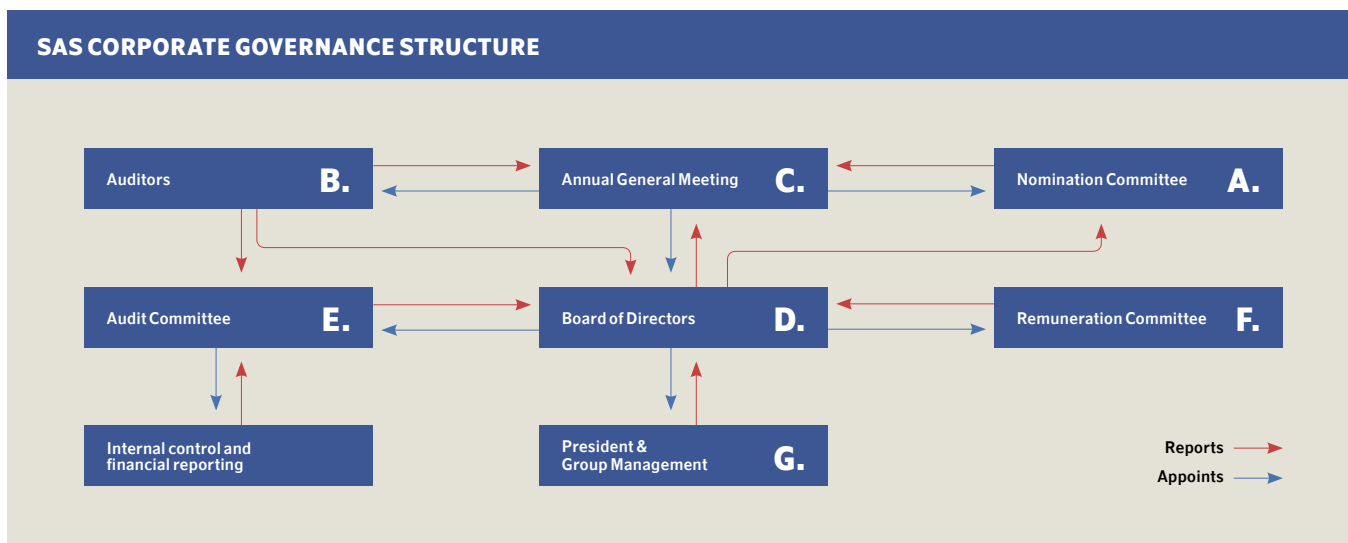
No breaches of the relevant stock exchange rules or of good stock market practices have been reported by Nasdaq's Disciplinary Committee, the Oslo Børs or the Swedish Securities Council during the 2015/2016 fiscal year.

¹ Available for download at www.sasgroup.net

SAS GROUP'S LEGAL STRUCTURE¹, JANUARY 31, 2017



¹ Operating companies.



OWNERSHIP, CONTROL AND SHARE CLASSES

SAS AB has three classes of shares: common shares, preference shares and subordinated shares. At October 31, 2016, 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 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 redemption date 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 29-30 in the SAS Annual Report 2015/2016.

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

For aviation policy reasons, the company'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 com-

pany'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 subscription of 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, 2016, SAS AB had a total of 64,394 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 29-30 in the SAS Annual Report 2015/2016.

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

The SAS Group 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 2016 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, SIX MINUTED MEETINGS (REFERS TO THE PERIOD MARCH 8, 2016 TO JANUARY 15, 2017)

Member	Representative of	Votes, % October 31, 2016
Magnus Skåniger, Chairman	Swedish Ministry of Finance, for the Swedish government	17.1
Rasmus Lønborg	Danish Ministry of Finance, for the Danish government	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's 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 convening 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

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 2016 AGM, whereby PricewaterhouseCoopers AB (PwC) was reelected for the period until the end of the 2017 AGM. The auditor in charge is Bo Hjalmarsson. In addition to SAS AB, he has audit engagements for companies that include Ericsson, SAAB and Teracom.

On two occasions during the 2015/2016 fiscal year, the auditor in charge met with the Board, presenting the program for auditing work and reporting observations from the audit. The audit 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 audit 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 2015/2016, see Note 38.

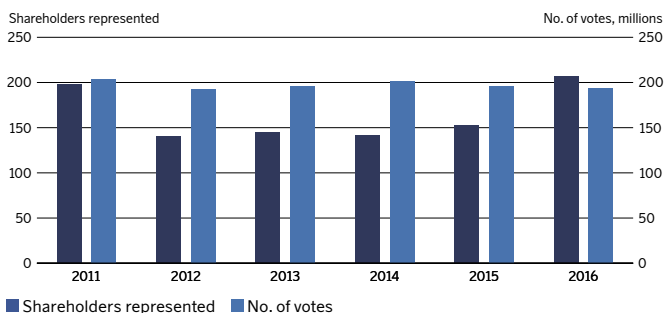
Auditors' fees	MSEK
Auditing services	7
Auditing-related advisory services	1
Tax consultancy services	1
Other services	0
Total	9

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 Annual General Shareholders' Meeting is issued no earlier than six and no later than four weeks prior to the meeting. Notice is published in daily newspapers 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.

The Articles of Association contain no special provisions regarding the election and discharge of Board members or regarding changes to the Articles of Association. Currently, 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.

NUMBER OF PARTICIPANTS IN AGMS 2011-2016**2016 AGM****Decisions taken by AGM 2016**

- 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.

BOARD FEES DECIDED AT THE 2016 ANNUAL GENERAL SHAREHOLDERS' MEETING

Name	Board of Directors	Audit Committee	Remuneration Committee	Total, TSEK	Remuneration from SAS in addition to Board fees, TSEK ¹
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	885
Sven Cahier	207			207	618
Janne Wegeberg	207 ²			207	974
Total	2,550	128	83	2,761	2,477

1) Pertains to the period between November 2015 and October 2016 and excludes social security expenses.

2) Shared with Bo Nielsen who acted as employee representative on the Board until September 2016.

OUTCOME NOVEMBER 2015–OCTOBER 2016, RECORDED FEES FOR DEPUTY EMPLOYEE REPRESENTATIVES

Name	Period	Total, SEK
Kim Kalsås-Carlsen	November 2015–July 2016	7,000
Tor Kjøstel Lie	July 2016–October 2016	3,000
Elin Rise	November 2015–October 2016	10,000
Erik Bohlin	November 2015–October 2016	10,000
Janne Wegeberg	November 2015–September 2016	7,000
Eva Dahlberg	November 2015–October 2016	10,000
Jean-Pierre Schomburg	November 2015–October 2016	10,000

WELCOME TO THE 2017 AGM

Date and time: February 22, 2017 at 3:00 p.m. at the head office of SAS, Frösundaviks allé 1, Solna, Sweden

Notice: Published on January 18, 2017

Attending the AGM: Consult the notice available on SAS's website, www.sasgroup.net

Deadline for notification of attendance: February 15, 2017 for shareholders with shares registered in Denmark and Norway and February 16 for shareholders with shares registered in Sweden.

Record date: February 16, 2017

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 gov-

erning 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 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 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 indepen-

dent in relation to major shareholders at October 31. In conjunction with the 2016 AGM, owing to his previous employment, Dag Mejdell was not regarded as independent in relation to the Norwegian government. The other Board members are deemed to be independent of the company's 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. Furthermore, the Nomination Committee believes that the Code's requirements for diversity, breadth and an even gender balance improved in 2016 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 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 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 2015/2016

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 2015/2016 the Board also adopted the SAS Code of Conduct that defines how SAS and its employees should conduct themselves in public. The Board also reviewed the extent to which employees had undertaken training regarding the SAS Code of Conduct.

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 2015 and October 2016, the Board held 14 scheduled Board meetings, including a statutory meeting and two meetings held 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 2015–OCTOBER 2016¹

Name	Dec 15	Jan 28 ³	Feb 11	Mar 7	Mar 8 ²	Apr 19 ⁵	May 18 ³	Jun 8-9	Sep 7	Oct 5 ³	Oct 26
Fritz H. Schur, Chairman	●	●	●	●	●	●	●	●	●	●	●
Jacob Wallenberg, Vice Chairman	●	●	●	●	●	●	●	●	●	●	●
Dag Mejdell, Second Vice Chairman	●	●	●	○	●	●	●	●	●	●	○
Monica Caneman, member	●	●	●	●	●	●	●	●	●	○	●
Carsten Dilling, member	●	○	●	●	●	●	○	●	●	●	●
Lars-Johan Jarnheimer, member	●	●	●	●	●	●	○	●	●	●	●
Birger Magnus, member	●	○	●	●	○	–	–	–	–	–	–
Berit Svendsen, member	–	–	–	–	–	●	●	●	●	●	●
Sanna Suvanto-Harsaae, member	○	●	●	●	●	●	○	●	●	●	●
Jens Lippestad, employee representative	●	●	●	●	●	●	●	○ ⁴	●	●	●
Bo Nielsen, employee representative	●	●	●	○	●	●	●	●	–	–	–
Sven Cahier, employee representative	●	●	●	●	●	●	●	●	●	●	●
Janne Wegeberg, employee representative	–	–	–	–	–	–	–	–	●	●	●

● Present ○ Absent

¹⁾ The Board also held two meetings per capsulam on February 1 and June 14, 2016.

²⁾ Three meetings of which one was the statutory meeting following the AGM.

³⁾ Extra meeting via telephone.

⁴⁾ Tor Kjøstel Lie, First Deputy, present.

⁵⁾ Two minuted meetings.

MAIN ISSUES ADDRESSED AT BOARD MEETINGS

December	January	February	March	April	May	June	September	October
Dec 15 Year-end report for 2014/2015 and the proposed disposition of earnings, the report from the external auditors, and adoption of the proposed budget for 2015/2016 along with SAS's IR/Information Policy.	Jan 28 Address of remuneration issues.	Feb 11 Adoption of the 2014/2015 Annual Report, the dividend policy and the work plan for the audit, review of flight safety and sustainability work and the notice of the 2016 AGM.	Mar 7 Adoption of the report for the first quarter of 2015/2016 Mar 8 Review of PULS, diversity and equality issues and sick leave. Statutory Board meeting following the AGM.	Apr 19 Meeting and work plan for 2015/2016, status of collective agreement negotiations with cabin crew and pilots' labor unions, and review of earnings performance.	May 18 Status of negotiations with pilots' labor unions.	Jun 8-9 Review of SAS's strategy. Decision not to outsource ground handling services at the primary airports, auditors' review report and adoption of the report for the second quarter 2015/2016.	Sep 7 Review of the Board's formal work plan and instructions, follow-up of risk management, regulatory compliance, internal control, corporate governance and adoption of the report for the third quarter of 2015/2016.	Oct 5 Decision to proceed with negotiations concerning sale of Cimber. Oct 26 Evaluation of the Board's and President's work and review of the budget for 2016/2017.

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, one employee representative and, as required, representatives from SAS's accounting unit attend Committee meetings.

THE AUDIT COMMITTEE'S WORK 2015/2016 – FIVE MINUTED MEETINGS

Meeting date:	Dec 15	Feb 11	Mar 7	Jun 7	Sep 7
Monica Caneman (Chairman)	●	●	●	●	●
Lars-Johan Jarnheimer	●	●	●	●	●
Carsten Dilling	-	-	-	●	●
Birger Magnus	●	●	○	-	-

● 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 or company management. Fritz H. Schur, Jacob Wallenberg and Dag Mejdell are independent in relation to the company and company management.

REMUNERATION COMMITTEE'S WORK 2015/2016 – THREE MINUTED MEETINGS

Meeting date:	Dec 15	Sep 6	Sep 7
Fritz H. Schur (Chairman)	●	●	●
Jacob Wallenberg	●	●	●
Dag Mejdell	●	●	●

● Present ○ Absent

REMUNERATION POLICIES AND OTHER TERMS OF EMPLOYMENT FOR COMPANY MANAGEMENT AT THE 2015/2016 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 exist for deviation from the remuneration policies and, accordingly, 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 2015/2016 AGM adopted the remuneration policies for senior executives. The remuneration policies for 2015/2016 remained unchanged compared with those that applied in 2014/2015. 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.

The detailed guidelines are available on the company's website www.sasgroup.net under Corporate governance, 2016 AGM. For detailed information about remuneration and benefits for the Board, President and senior executives in 2015/2016 see Note 3 on page 71 in the SAS Annual Report 2015/2016.

The substance of the guidelines to be proposed to the AGM on February 22, 2017 is unchanged in relation to the remuneration policies adopted at the 2016 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 gov-

erning 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 the majority of 2015/2016. Mattias Forsberg took up his position in Group Management during the fiscal year. The composition and functions of the Group Management are shown on page 10.

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 the Group's control philosophy, control model and entities as well as the company's 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 2015/2016 fiscal year, SAS completed 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 will be subject to an annual review based on the updated risk assessment concerning risks related to financial reporting.

SAS's internal audit carried out five audits in total during the year pertaining to:

- Corporate governance
- The internal control framework
- The management of wet-lease agreements
- User administration related to IT
- The payroll process

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 is in place that has been laid down 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, 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.

MONITORING

Until May 2013, internal audit was an internal function within the Group. However, as of autumn 2013 internal audit has been managed externally. 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 2016 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 and Jacob Wallenberg, and the election of new member Berit Svendsen. 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. Against this background, the Nomination Committee felt that continuity within the Board was highly important while also identifying a need for further operational experience in the area of digitization. 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 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, F. Uhrenholt 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, 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, the Knut and Alice Wallenberg Foundation and the Confederation of Swedish Enterprise.

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

Earlier directorships/positions: Chairman of SEB. Vice Chairman of Stockholms Handelskammares Service AB, Electrolux AB and Atlas Copco, as well as Board member of the Coca-Cola Company, Stora and WM-data. 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 and International Post Corporation. Board member of Telecomputing AS.

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 and the company management, and independent of the company's major shareholders from the latter part of the 2015/2016 fiscal year.



MONICA CANEMAN,
BORN 1954

Member of the Board of SAS AB since 2010.

Directorships: Chairman of Arion bank hf, Bravida Holding AB and Big Bag AB. Board member of Comhem AB, Intermail A/S and Nets AB.

Education: MBA, Stockholm School of Economics.

Earlier directorships/positions: Chairman of Allenex AB, EDT AS, the Fourth Swedish Pension Fund, Frösunda LSS AB, Interverbum AB and Viva Media Group AB. Board member of Akademikliniken AB, Citymail Group AB, EDB Business Partner ASA, 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, SAAB and Teracom.

Board secretary: Marie Wohlfahrt, General Counsel.



**CARSTEN DILLING,
BORN 1962**

Member of the Board of SAS AB since 2014.

Directorships: Vice Chairman of NNIT 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 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 and Bisnode AB.

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 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 Babysam AS, Sunset Boulevard AS, TCM AS, Bext VPG AS, Workz AS, Altia OYj, BoConcept AS and Footway AB. Board member of Paulig Oyj, Broman group OYj, Clas Ohlson AB 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 Jetpak AB, Duni AB, Candyking AB, CCS 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
JENS LIPPESTAD, BORN 1960**

Employed at Scandinavian Airlines in Norway. Member of the Board of SAS AB since 2014.

Shareholding: 15,000 common shares.

Shareholding of related parties: 0.

DEPUTIES:

Tor Kjøstel Lie, First Deputy.
Shareholding: 0.

Elin Rise, Second Deputy.
Shareholding: 0.



**EMPLOYEE REPRESENTATIVE
SVEN CAHIER, BORN 1951**

Employed at Scandinavian Airlines in Sweden. Member of the Board of SAS AB since 2014.

Shareholding: 418 common shares.

Shareholding of related parties: 0.

DEPUTIES:

Erik Bohlin, First Deputy.
Shareholding: 0.

Eva Dahlberg, 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 shares.

Shareholding of related parties: 0.

DEPUTIES:

Jean Pierre Shomburg, First Deputy.
Shareholding: 0.

Kim John Christiansen, Second Deputy.
Shareholding: 0.

GROUP MANAGEMENT

Group Management is responsible for the Group'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, 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 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 Svedbergs AB and Scandinavian Track Group AB.

Education: MBA, Linköping University.

Shareholding: 0.

Shareholding of related parties: 0.



EIVIND ROALD
BORN 1966

Executive Vice President and Chief Commercial Officer.

Member of SAS Group Management since April 1, 2012.

Previously: Eivind Roald joined SAS from Hewlett Packard in Norway, where he was President for seven years. 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: Crayon Group AS.

Education: Bachelor's degree from the Norwegian Business School (BI).

Shareholding: 0.

Shareholding of related parties: 84,000 common shares.



LARS SANDAHL SØRENSEN
BORN 1963

Executive Vice President, Chief Operating Officer and Accountable Manager.

Member of SAS Group Management since May 1, 2015.

Previously: Lars Sandahl Sørensen has 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. Recently he has also been a partner in AIMS International and 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 and Chief Strategy Officer.

Member of SAS Group Management since February 1, 2014.

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

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

Shareholding of related parties: 0.