

Item 16(a) The Board of Directors' Proposal for the principles for compensation to the Company's key management

The Board of Directors notes that the Company's majority shareholder has proposed that all of the current directors shall be dismissed and replaced with new directors at the Annual General Meeting of the Shareholders in April 2017 (see item 13 of the agenda for the Annual General Meeting). Notwithstanding this, the current Board of Directors has an obligation to propose principles of compensation and other employment terms for the Company's key management (CEO and members of the Executive Committee) to such Annual General Meeting. To that end, the Board of Directors considers that the existing principles of compensation and other employment terms for the Company's key management (that is, the principles that were adopted at the Annual General Meeting in April 2016) meet the current needs of the Company and, therefore, proposes that such principles shall continue to apply in all material respects as set out below.

Decision on the guidelines for compensation of key management.

Total remuneration shall be competitive and in line with international market practice as defined by a peer group of international companies, both in terms of the level and the structure of the individual components of remuneration. The individual components of total remuneration may consist of fixed annual base remuneration, variable remuneration (annual and multi-year), pension contributions and may include other benefits.

The fixed annual base remuneration is an appropriate portion of total remuneration and is reviewed and may be adjusted annually in line with the responsibilities, performance and level of remuneration of each executive.

Variable remuneration plans will consist of annual and multi-year plans and are based on the principle of pay for performance. Annual variable remuneration plans will be cash based and represent a potential to earn a percentage of the fixed annual base remuneration, subject to meeting ambitious, but achievable predefined financial, operational and personal performance objectives. Depending on the level of performance achieved, annual variable remuneration can vary from no variable payment up to 75% of the fixed annual base remuneration for Executive Committee members and up to 150% for the CEO.

Multi-year variable remuneration plans will normally be share based, covering a three-year period. Their design is intended to enhance company performance and align key management and shareholder interests over the longer term. Participants include the CEO, Executive Committee members and a limited number of other key executives. The material terms of share based variable remuneration plans shall be resolved by a General Meeting of Shareholders.

All future pension commitments will be in the form of defined contributions, calculated on a percentage of the fixed annual base remuneration and will not be calculated on any variable elements of remuneration.

Other benefits may consist of company car, housing, paid schooling for under age children and travel allowances.

Termination notice periods will normally not exceed 12 months or 3 months per five years of employment. Combined contractual notice periods and severance payments, in the event of termination by the company, will not exceed 24 months. In case of dispute, the applicable law could lead to severance payments exceeding the contracted amount and may exceed 24 months' remuneration.

The Compensation Committee submits proposals to the Board of Directors regarding compensation etc. of the CEO. The Compensation Committee approves, on proposal from the CEO, compensation levels etc. for the other members of the Executive Committee. Furthermore, the Compensation Committee prepares principles for compensation of the Company's key management for decision by the Board of Directors and proposal to the Annual General Meeting.

For a description of the outstanding share based variable remuneration plans in the Company, reference is made to note 32 in the 2016 annual report.

The Board of Directors shall be authorized to deviate from these principles for compensation if specific reasons for doing so exist in any individual case.

In 2016, the Board exercised its option according to the policy to deviate from these principles and put in place a retention bonus for 2017, subject to certain conditions. For the CEO, the bonus amounts to 150% of the fixed annual base remuneration and for the Executive Committee members the bonus varies from 50 to 75% of the fixed annual base remuneration.

Stockholm, in March 2017
THE BOARD OF DIRECTORS