Point 16 – Proposal by the Board of Directors of Elekta AB (publ) regarding guidelines for remuneration to the executive management

The Board of Directors proposes that the Annual General Meeting on September 21, 2010, approves the following guidelines for remuneration and other terms of employment for the executive management of the Group. The guidelines will be valid for employment agreements entered into after the meeting and for any changes made to existing employment agreements thereafter. It is proposed that the Board is given the possibility to deviate from the below stated guidelines in individual cases where specific reasons or requirements exist.

In accordance with the revised Swedish Code of Corporate Governance (*sw. Svensk kod för bolagsstyrning*), the Board of Directors has considered imposing restrictions on variable remuneration of the executive management. The Board of Director's assessment is that the current structure and policy for remuneration of executive management fulfills the primary intentions of the restrictions; to ensure that variable compensation is linked to both short- and long-term target fulfillment and that performance on which compensation is based proves to be sustainable over time, and that the introduction of such restrictions is not necessary at the present time.

Guidelines

It is of fundamental importance to the Group and its shareholders that the guidelines for remuneration and other terms of employment for the executives of the Group attract, motivate and retain competent employees and managers, both in the short and long term. To achieve this goal, it is important to ensure fairness and internal equity, while maintaining market competitiveness in terms of the structure, scope and level of executive compensation within Elekta. Employment conditions for executive management should comprise a balanced mix of fixed salary, a variable salary component, annual incentive or "bonus", long-term incentives, pension and other benefits, as well as notice and severance payments, where applicable.

Total Target Cash Compensation

Total Target Cash Compensation, i.e. fixed plus variable salary components, should be competitive in the geographic market where the executive is resident. The level of total target compensation should be reviewed annually to ensure that it is in line with or slightly above the market median, preferably within the lower end of the third quartile (i.e. between 51 percent and 60 percent against the market median), for similar positions in that market. Market medians are established annually with the assistance of external compensation benchmarking.

Since compensation should be performance-driven, the target annual variable salary component should account for a relatively high portion of the total target compensation.

Compensation components

The Group compensation system comprises various forms of compensation. This ensures well-balanced remuneration, thereby strengthening and underpinning short and long-term objective setting and achievement.

Fixed salary

Executive Management's fixed salary shall be individual and based on the content and responsibility of the position, the individual's competence and experience in relation to the role held, as well as the geography in which the position is based.

Variable salary

In addition to a fixed salary, Executive Management also has a variable salary component. The variable component is structured as a portion of the total cash remuneration package and is primarily related to the achievement of common Group financial performance goals. The Key Performance Indicators (KPIs) for variable salary components shall primarily be related to the outcome of specific financial objectives within the Group compensation and benefit system. The size of the variable salary component depends on the position held and may amount to between 30 percent and 60 percent of the fixed salary for on-target target performance. Performance against fixed targets and payment for results achieved are measured quarterly. According to the Group's policy, all payment against variable salary components is capped.

The goals for the variable salary component are established annually by the Board so as to sustain the business strategy and objectives. Other KPIs may be used to drive focus on non-financial objectives of particular interest.

Annual incentive

For performance related to financial goals within the variable salary plan exceeding 100 percent of the target, there is the opportunity for additional compensation called an annual “incentive” or bonus. The annual incentive entails a potential to earn a maximum of an additional 60 percent of the target variable salary component. Accordingly, the maximum payout level for the sum of the variable salary component and the annual incentive is capped at a 160 percent of the original target for variable compensation. The plan also contains a minimum performance level or threshold under which no variable salary or annual incentive will be paid out at all.

Equity-based long-term incentive programs

The Board also uses long-term incentives to ensure alignment between shareholder interests and executive management, senior managers and other key colleagues. On an annual basis, the Board of Directors evaluates whether an equity-based long-term incentive program should be proposed to the AGM. The main content of the Board’s proposal to this year’s Annual General Meeting can be found under point 18 in the Board’s proposal for a resolution on an incentive program.

In order to strengthen long-term thinking in decision-making and ensure achievement of long-term objectives, while also covering situations where equity-based solutions may be inappropriate or precluded by law, the Board may also selectively decide on other types of non-equity-based long-term incentive programs. Monetary long-term incentives should only be used as remuneration in special circumstances and be in line with practice in each market. They must also require continued employment in the Group.

Retention measures

In order to ensure long-term engagement and retention of key staff in connection with the acquisition of new business, the divestment of operations or other transitional activities, an additional annual incentive with a deferred payment of 12-24 months may or may not be applied. This deferred incentive requires continued employment until an agreed future date for any payment to be made and is applied only in special circumstances, i.e. is not part of any ordinary executive remuneration scheme. The deferred incentive should never exceed 50 percent of the normal annual variable salary component and shall in other aspects comply with the Group bonus plan.

Pensions
When establishing new pension agreements, senior executives who are entitled to pension benefits should only be enrolled in defined-contribution schemes. The standard retirement age for Swedish citizens is 65 years while other executives follow the rules of their respective countries of residence. The main guideline is that the size of pension contributions be based only on the fixed salary. Certain individual adjustments may occur based on local market practice.

Other benefits
Benefits such as company cars and health, medical and sickness-related insurance schemes, should be of a more limited value compared with other items of the compensation package and in line with the market practice for the respective geographic market.

Notice periods and severance agreements
Periods of notice in Elekta follow local labor legislative requirements in the geographies in which they are based. Senior executives generally have notice periods of between 6 and 12 months, except for the President and CEO, whose period of notice is 24 months if notice is given by the company and 8 months, if notice is given by the President and CEO. In the event of a material change of control, the President and CEO shall have the right to terminate the employment with 6 months notice within 120 days, and shall be entitled to severance payment equal to 18 months employment including all employment benefits except for annual incentives and company car.

If employment termination is initiated by the Company, the previous President is entitled to severance pay of three years' salary, including pension benefits, other remuneration during a 3-4 year period and four times his annual bonus, calculated as the average bonus paid during the most recent three-year period. In addition, the previous President is entitled to severance pay in the event that he resigns as the result of certain more comprehensive ownership changes. This severance agreement is irrevocable.

Severance agreements entitling executives to lump sum payments will in principle not be signed. In a redundancy situation, the current practice in the geographic market where the executive is resident will apply.