AUTOLIV INC
Form PRE 14A
March 14, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Schedule 14A Information

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x Filed by a party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

¨ Definitive Additional Materials

¨ Soliciting Material under §240.14a-12

Autoliv, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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March [ ], 2014

Dear Stockholder,

It is my pleasure to invite you to the 2014 Annual Meeting of Stockholders of Autoliv, Inc. to be held on Tuesday, May 6, 2014 at The Langham, Chicago, 330 North Wabash Avenue, Chicago, Illinois, 60611, commencing at 9:00 a.m. local time.

Information regarding the matters to be voted upon at this year s Annual Meeting is attached in the Notice of Annual Meeting of Stockholders and this Proxy Statement.

It is important that your shares are represented at the Annual Meeting. Therefore, please provide your proxy by following the instructions provided on the formal Notice of Meeting and Notice of Internet Availability of Proxy Materials previously sent to you. This way, your shares will be voted as you direct even if you cannot attend the Annual Meeting.

A public news release covering voting results will be published after the Annual Meeting.

The Autoliv, Inc. Annual Report for the fiscal year ended December 31, 2013 is being made available to stockholders simultaneously with this Proxy Statement. These documents are available at www.autoliv.com.

On behalf of the entire board of directors, we look forward to seeing you at the Annual Meeting.

Sincerely,

Lars Nyberg
Chairman of the Board of Directors

AUTOLIV, INC.

Box 70381 SE-107 24

Stockholm, Sweden

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 6, 2014

TO THE STOCKHOLDERS OF AUTOLIV, INC.,

NOTICE IS HEREBY GIVEN that the 2014 Annual Meeting of Stockholders of Autoliv, Inc. (Autoliv or the Company) will be held on Tuesday, May 6, 2014 commencing at 9:00 a.m. local time at The Langham, Chicago, 330 North Wabash Avenue, Chicago, Illinois, 60611, to consider and vote upon:

1. Re-election of three directors to the Board of Directors of Autoliv for a term of office expiring on the date of the Annual Meeting of Stockholders in 2017 (see page [ ] of the accompanying Proxy Statement).

2. An advisory resolution to approve the compensation of the Company s named executive officers (see page [ ] of the accompanying Proxy Statement).

3. An amendment to the Company s Restated Certificate of Incorporation to declassify the Board of Directors of Autoliv.

4. Ratification of the appointment of Ernst & Young AB as the Company s independent auditors for the fiscal year ending December 31, 2014 (see page [ ] of the accompanying Proxy Statement).

5. Any other business that may properly come before the Annual Meeting or any continuation, postponement or adjournment thereof.

The Board of Directors has fixed the close of business on March 10, 2014 as the record date for the Annual Meeting. All stockholders of record at the close of business on that date are entitled to notice of, and to be present and vote at, the Annual Meeting and at any continuation thereof.

Attendance at the Annual Meeting will be limited to stockholders of record, beneficial owners of Company common stock entitled to vote at the Annual Meeting having evidence of ownership, a maximum of one authorized representative of an absent stockholder, and invited guests of management. Any person claiming to be an authorized representative of a stockholder must, upon request, produce written evidence of such authorization.

The meeting will be conducted pursuant to the Company s Restated By-Laws and rules of order prescribed by the Chairman of the Annual Meeting.

By order of the Board of Directors

of Autoliv, Inc.:

Anthony J. Nellis

Interim Vice President for Legal Affairs,

General Counsel and Secretary

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AUTOLIV, INC.

Box 70381 SE-107 24

Stockholm, Sweden

PROXY STATEMENT

INFORMATION CONCERNING VOTING AND SOLICITATION

Availability of Proxy Materials on the Internet

Our Board of Directors (the Board) has made this Proxy Statement and the Company s Annual Report for the year ended December 31, 2013 available to you on the Internet or, upon your request, has delivered printed versions of these materials to you by mail, in connection with the Board s solicitation of proxies for use at our Annual Meeting of Stockholders, to be held on Tuesday, May 6, 2014 commencing at 9:00 a.m. local time at The Langham, Chicago, 330 North Wabash Avenue, Chicago, Illinois, 60611, and at any adjournment thereof (the 2014 Annual Meeting or the Annual Meeting).

General

The date of this Proxy Statement is March 24, 2014, the approximate date on which this Proxy Statement and proxy card are first being made available on the Internet to stockholders entitled to vote at the Annual Meeting. The Annual Report for the fiscal year ended December 31, 2013 was first made available on February 21, 2014.

Who Can Vote

You are entitled to vote at the Annual Meeting if you were a stockholder of record of our common stock as of the close of business on March 10, 2014 (the Record Date). Your shares may be voted at the Annual Meeting only if you are present in person or represented by a valid proxy.

Shares Outstanding and Quorum

At the close of business on the Record Date, 93,954,573 shares of our common stock were outstanding and entitled to vote and no shares of our preferred stock were outstanding. A majority of the shares of our common stock outstanding on the Record Date, present in person or represented by proxy, will constitute a quorum at the Annual Meeting.

How to Vote

If you are a stockholder of record, you may vote by proxy on the Internet or by telephone by following the instructions provided in the Notice of Internet Availability of Proxy Materials previously sent to you. If you requested printed copies of the proxy materials by mail, or have a printed proxy card, you may also vote by completing and mailing a printed proxy card. You may also vote in person at the Annual Meeting.

If you are a beneficial owner of shares held in a street name, please refer to the instructions provided by your bank, broker or other nominee for voting your shares. If you wish to vote in person at the Annual Meeting, you must obtain a valid proxy from the organization that holds your shares and have proof of ownership of our common stock as of the Record Date.

Voting of Shares

The shares represented by all properly executed and unrevoked proxies received in proper form in time for the Annual Meeting will be voted. Each stockholder is entitled to one vote for each share of common stock held on the Record Date. Our stockholders do not have cumulative voting rights. If you properly complete your proxy

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card and send it to the Company in time to vote, or submit your proxy electronically by Internet or telephone before voting closes, your proxy (one of the individuals named in the proxy card) will vote your shares as you have directed. If you sign the proxy card but do not make specific choices, your proxy will vote your shares as recommended by the Board: (i) to elect the director nominees listed in Election of Directors, (ii) to approve the compensation of the Company s named executive officers, (iii) to approve an amendment to the Company s Restated Certificate of Incorporation (the Restated Certificate) to declassify the Board and (iv) for the ratification of the appointment of Ernst & Young AB as the Company s independent auditors.

If any other matter is presented, your proxy will vote in accordance with his or her best judgment, which will allow for your proxy to address unforeseen matters that may arise as well as matters incident to the conduct of the Annual Meeting, to the extent permitted by applicable law and the listing rules of the New York Stock Exchange (the NYSE). Note, however, that your proxy s ability to exercise discretionary voting authority under the U.S. Securities and Exchange Commission (SEC) proxy rules is limited to certain enumerated matters. Because of the Company s advance notice requirements in its Restated By-Laws (the By-Laws), discretionary authority would likely only be used for ministerial matters at the Annual Meeting. As of the date of this Proxy Statement, the Company is not aware of any other matters to be acted on at the Annual Meeting other than those matters described in this Proxy Statement. Any proxy given may be revoked at any time before it is voted at the Annual Meeting.

Holders of Autoliv s Swedish Depository Receipts (SDRs) are entitled to vote the shares of common stock of the Company underlying the SDRs at the 2014 Annual Meeting as if they directly held the common stock of the Company. However, under the General Terms and Conditions of the SDRs, if holders of SDRs do not attend and represent their shares at the Annual Meeting in person or give instructions as to the exercise of their voting rights to the custodian, Skandinaviska Enskilda Banken AB (publ) (SEB), they are deemed to have instructed SEB to give a proxy to a person designated by the Company to vote their shares in the same proportion as all other shares that are being voted at the Annual Meeting. However, no such instruction from the holders of SDRs to SEB shall be deemed given to any merger, consolidation or any other matter which may affect substantially the rights or privileges of the holders of SDRs or with respect to any matter where giving such instructions and/or discretionary proxy would not be legally permitted.

Shares held by persons attending the Annual Meeting but not voting, shares represented by proxies that reflect abstentions as to a particular proposal and broker non-votes will be counted as present for purposes of determining a quorum. A broker non-vote occurs when a nominee holding shares for a beneficial owner has not received voting instructions from the beneficial owner and does not have discretionary authority to vote the shares. Brokers do not have discretionary authority to vote on Items 1, 2 and 3 set forth below. Brokers generally have discretionary authority to vote on Item 4 set forth below.

The following summary describes the vote required to approve each of the proposals at the Annual Meeting.

Item 1:	Directors will be elected by a plurality of the votes of the shares present or represented by proxy at the Annual Meeting and entitled to vote thereat. However, pursuant to the Autoliv, Inc. Corporate Governance Guidelines, if a director nominee in an uncontested election fails to receive the approval of a majority of the votes cast on his or her election by the stockholders, the nominee shall promptly offer his or her resignation to the Board for consideration. A committee consisting of the Board s independent directors (which will specifically exclude any director who is required to offer his or her resignation) shall consider all relevant factors and decide on behalf of the Board the action to be taken with respect to such offered resignation and will determine whether to accept or reject the resignation. The Company will publicly disclose the Board s decision with regard to any resignation offered under these circumstances with an explanation of how the decision was reached, including, if applicable, the reasons for rejecting the offered resignation. Votes withheld as to one or more nominees will not be counted as votes cast for such individuals but will be counted for the purposes of establishing a quorum.
Item 2:	The non-binding resolution to approve the compensation of the Company s named executive officers as disclosed in this Proxy Statement requires the affirmative vote of a majority of the shares present or

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represented by proxy at the Annual Meeting and entitled to vote thereat. Abstentions will have the effect of votes against the proposal. Broker non-votes will have no effect in determining the outcome of the proposal.

Item 3: The proposal to amend the Restated Certificate requires the affirmative vote of 80% of all of our outstanding shares of capital stock, voting together as a single class. Accordingly, abstentions and broker non-votes will have the effect of votes against the proposal.

Item 4: The ratification of the selection of Ernst & Young AB requires the affirmative vote of a majority of the shares present or represented by proxy at the Annual Meeting and entitled to vote thereat. Abstentions will have the effect of votes against the ratification. Although brokers have discretionary authority to vote on the ratification, if a broker submits a non-vote, it will not be counted for purposes of the ratification but will be counted for the purposes of establishing a quorum.

Any other proposal brought before the Annual Meeting (if any) will be decided by a majority of votes represented in person or by proxy at the Annual Meeting and entitled to vote on the matter. Consequently, abstentions will have the effect of votes against the matter and broker non-votes will not be counted in determining the outcome of the matter.

Principal Executive Offices

The principal executive offices of the Company are located at Vasagatan 11, 7th Floor, Stockholm, Sweden, SE-111 20. The Company s telephone number is +46 8 587 20 600.

Solicitation of Proxies

The Company will bear the cost of the solicitation of proxies. In addition to solicitation over the Internet and by mail, the Company will reimburse banks, brokers and other custodians, nominees and fiduciaries for reasonable expenses incurred in forwarding proxy materials to beneficial owners of our stock and obtaining their proxies. Certain directors, officers and other employees of the Company, not specifically employed for this purpose, may solicit proxies, without additional remuneration, by personal interview, mail, telephone, facsimile or electronic mail. In addition, the Company has retained Georgeson Inc. to assist in the solicitation of proxies for a fee of $14,500 plus expenses and Euroclear Sweden AB for a fee of SEK 160,000, or approximately $24,350, plus expenses.

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ITEM 1 - ELECTION OF DIRECTORS

The Company s By-Laws provide that the size of the Board shall be fixed from time to time exclusively by the Board. The Board has currently fixed the size of the Board at nine, divided into three classes (one class of two members and two classes of three members each) serving staggered three-year terms. There are currently seven Board members with two vacancies. Directors in each class are currently elected on a rotating basis at the annual meeting of stockholders at which the term for such class expires. See Item 3 below for a proposal to declassify the Board and eventually provide for annual election of all directors.

Messrs. Jan Carlson, Lars Nyberg and James M. Ringler, whose present terms will expire at the time of the Annual Meeting, are nominees for re-election at the 2014 Annual Meeting. If re-elected, each nominee would serve until the 2017 annual meeting of stockholders and until his successor is elected and qualified, or until his earlier retirement, resignation, disqualification, removal or death.

If any nominee should become unavailable for election prior to the Annual Meeting, an event that currently is not anticipated by the Board, the proxies will be voted in favor of the election of a substitute nominee or nominees proposed by the Board or the number of directors may be reduced accordingly. Each nominee has agreed to serve if re-elected, and the Board has no reason to believe that any nominee will be unable to serve.

Below is a summary presentation of each director nominated for re-election or continuing in office until the 2015 or 2016 annual meeting of stockholders.

Nominees for Directors at the 2014 Annual Meeting

Jan Carlson, age 53, was appointed a director of Autoliv in May 2007 after becoming President and Chief Executive Officer of Autoliv on April 1, 2007. Mr. Carlson joined Autoliv in 1999 as President of Autoliv Electronics and held that position until April 2005, when he became Vice President of Engineering of Autoliv and a member of the Company s Executive Committee. Since July 2010, Mr. Carlson has served on the Board of Directors and Compensation Committee of BorgWarner Inc., a product leader in highly engineered components and systems for vehicle powertrain applications worldwide. Since 2010, Mr. Carlson has also served on the board of Teknikföretagen, the Association of Swedish Engineering Industries. In addition, Mr. Carlson was elected to the board of Trelleborg AB in April 2013. Prior to joining Autoliv, Mr. Carlson was President of Saab Combitech, a division within the Saab aircraft group specializing in commercializing military technologies. Mr. Carlson has a Master of Science degree in Physical Engineering from the University of Linköping in Sweden.

The Board of Directors believes that Mr. Carlson s years of experience with Autoliv, including his current role as President and Chief Executive Officer, his past assignments with Autoliv, his automotive industry experience and his academic credentials are attributes that support his re-election to the Board of Directors.

Lars Nyberg, age 62, has been a director of Autoliv since October 2004 and Chairman of the Board since December 2011. Mr. Nyberg was President and Chief Executive Officer of TeliaSonera, the leading Nordic and Baltic telecommunications company listed on the OMX Nordic Exchange, from 2007 until early 2013, has been Chairman of DataCard Corporation, a company dealing in secure ID and card personalization, since 2006, and a member of the Board of Directors of Segulah Advisor AB since June 2013. Mr. Nyberg served as the Chairman and Chief Executive Officer of NCR Corporation from 1995 to 2003 and as non-executive Chairman of NCR Corporation between 2003 and 2005. He is a graduate in Business Administration from the University of Stockholm.

The Board of Directors believes that Mr. Nyberg s executive experience and record of achievement working within the global business community are competencies that support his re-election to the Board of Directors.

James M. Ringler, age 68, has been a director of Autoliv since January 2002 and is the Chairman of the Compensation Committee and a member of the Audit Committee. He was, prior to his retirement, Vice Chairman of Illinois Tool Works Inc. between 1999 and 2004. Prior to joining Illinois Tool Works, Mr. Ringler was Chairman, President and Chief Executive Officer of Premark International, Inc., which merged with Illinois Tool Works in

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1999. Mr. Ringler joined Premark in 1990 and served as its Executive Vice President and Chief Operating Officer prior to becoming the Chief Executive Officer in 1996. He serves on the Boards of Directors of Dow Chemical Company, FMC Technologies, Inc., Ingredion Incorporated and John Bean Technologies, and he is the Chairman of the Board of Teradata Corporation. Mr. Ringler holds a Bachelor of Science degree in Business Administration and an M.B.A. degree in Finance from the State University of New York.

The Board of Directors believes that Mr. Ringler s achievements as an executive of Premark International, Inc. and Illinois Tool Works and his extensive service on the boards of directors of public companies in a wide variety of industries support Mr. Ringler s re-election to the Board of Directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE THREE NAMED NOMINEES FOR DIRECTORS

Directors Continuing in Office With Terms Expiring at the 2015 Annual Meeting

Xiaozhi Liu, age 58, has been a director of Autoliv since November 2011 and is a member of the Compensation Committee, Compliance Committee and Nominating and Corporate Governance Committee. Dr. Liu began her career in the automotive industry in General Motor s (GM) Delphi operations and has since worked in various executive positions in Germany, China and the U.S., where she rose to the position of Director of Electronics, Controls & Software for GM in Detroit, Chief Engineer and Chief Technology Officer of GM in China and Chairman and Chief Executive Officer of General Motors Taiwan. Between 2005 and 2006, she was Chief Executive Officer and Vice Chairman of Fuyao Glass Industry Group Co. Ltd., a public company listed in Shanghai, and was elected as an independent director of Fuyao Glass Industry Group in October 2013. In 2007, she became the President and Chief Executive Officer of NeoTek China, a supplier of automotive chassis and transmission parts, and served as Chairman of the company s Board of Directors from 2008 through 2011. In 2009, she founded, and is Chief Executive Officer of, her own company, ASL Automobile Science & Technology (Shanghai) Co., Ltd., which introduces and implements globally advanced technologies to Chinese companies. She has a Ph.D. and master s degree in Chemical Engineering and Electrical Engineering from the German Friedrich-Alexander Universität in Erlangen, Nurembourg and a bachelor s degree in Electrical Engineering from the Chinese Jiaotong University in Xian.

The Board of Directors believes that Dr. Liu s global experience in engineering and technology in Asia, North America and Europe and her extensive management experience in the automotive industry support her membership on the Board of Directors.

George A. Lorch, age 72, has been a director of Autoliv since June 2003 and is the Chairman of the Nominating and Corporate Governance Committee and a member of the Audit Committee and Compensation Committee. Mr. Lorch serves on the Board of Directors of Pfizer, Inc., where he has been Lead Independent Director since December 2011, and served as its Non-Executive Chairman from December 2010 to December 2011. Mr. Lorch has been Chairman Emeritus of Armstrong Holdings, Inc., a global company that manufactures flooring and ceiling materials, since 2000. From May 2000 to August 2000, he was Chairman and Chief Executive Officer of Armstrong Holdings, Inc. He was Chairman of Armstrong World Industries, Inc. from 1994 to 2000, its President and Chief Executive from 1993 to 2000 and a director from 1988 to 2000. Mr. Lorch also serves on the Boards of Directors of WPX Energy, Inc., HSBC North America Holding Company and HSBC Finance Co. (the non-public, wholly-owned subsidiaries of HSBC LLP) and Masonite, a public company. Mr. Lorch holds a Bachelor of Science degree in Business Administration from the Virginia Polytechnic Institute.

The Board of Directors believes that Mr. Lorch s breadth of executive and global business experience over many years in operations, sales and marketing and his service as a director of several different companies support his membership on the Board of Directors.

Kazuhiko Sakamoto, age 68, has been a director of Autoliv since August 2007 and is the Chairman of the Compliance Committee and a member of the Nominating and Corporate Governance Committee. Mr. Sakamoto is an advisor at Pasona Inc., a leading human resources provider in Japan, listed in the Tokyo Stock Exchange. Mr. Sakamoto was previously a Counselor of Marubeni Construction Material Lease Co. Ltd., a company affiliated with Marubeni Corporation, which is one of Japan s leading general trading houses, operating import, export, offshore trading and investment activities in various business fields. He was Senior Executive Vice

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President of Marubeni Corp. from 2006 through 2008. During his nearly 40-year career with Marubeni Corporation, Mr. Sakamoto has held several key positions such as President and Chief Executive Officer of Marubeni America Cooperation. Mr. Sakamoto previously served on the Boards of Directors of Marubeni-Itochu Steel Inc. and Helena Chemical Company. He graduated from the Keio University in 1968 and attended the Harvard University Research Institute for International Affairs in 1991-1992.

The Board of Directors believes that Mr. Sakamoto s extensive business experience in both Asia and North America support Mr. Sakamoto s membership on the Board of Directors.

Directors Continuing in Office With Terms Expiring at the 2016 Annual Meeting

Robert W. Alspaugh, age 67, has been a director of Autoliv since June 2006 and is the Chairman of the Audit Committee and a member of the Compliance Committee. Prior to becoming a director of Autoliv, Mr. Alspaugh had a 36-year career with KPMG, including serving as the senior auditor for a diverse array of companies across a broad range of industries. He has worked with global companies both in Europe and Japan, as well as with those headquartered in the United States. Between 2002 and 2005, when he served as Chief Executive Officer of KPMG International, he was responsible for implementing the strategy of this global organization, which includes member firms in nearly 150 countries with more than 100,000 employees. Prior to this position, he served as Deputy Chairman and Chief Operating Officer of KPMG s U.S. practice. Mr. Alspaugh also serves on the Boards of Directors of Ball Corporation and Verifone Systems, Inc., both public companies, and DSGI Technologies, Inc., and Triton Containers, both private companies. He graduated summa cum laude from Baylor University, Texas, in 1970.

The Board of Directors believes Mr. Alspaugh s years of experience, technical skills and record of achievement working within the global business community support his membership on the Board of Directors.

CORPORATE GOVERNANCE

Board Independence

The Board believes that it should generally have no fewer than eight and no more than eleven directors, with a target size of ten directors. The Board currently consists of seven members with two vacancies. The Board has determined that all of the directors except Mr. Carlson are independent directors under the applicable rules of the NYSE, the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations promulgated by the SEC. In making its independence determinations, the Board reviewed (i) information regarding relevant relationships, arrangements or transactions between the Company and each director or parties affiliated with such director, (ii) Company records and (iii) publicly available information. None of the independent directors has a relationship with the Company other than as a director and/or a stockholder of the Company.

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Board Leadership Structure and Risk Oversight

The Company has a long history of separating the positions of Chief Executive Officer (CEO) and the Chairman of the Board, as it believes that a separate CEO and Chairman is an important part of its overall commitment to the highest standards of corporate governance. The separate positions allow the Board to effectively develop and oversee its business strategy, monitor risk and freely perform its management oversight function. The Board regularly meets in executive sessions of independent directors to discuss certain issues without the CEO present. Mr. Nyberg chairs the executive sessions of the independent directors.

The Board is responsible for the oversight of risk management of the Company. The Audit Committee is responsible for monitoring financial risk and discussing risk oversight and management as part of its obligations under the NYSE s listing standards. The Compliance Committee is responsible for monitoring ethical and other compliance risks. In each of its meetings, the Board receives reports from management, including the CEO and Chief Financial Officer (CFO), regarding the main strategic, operational and financial risks the Company is facing and the steps that management is taking to address and mitigate such risks.

The Compensation Committee has reviewed with management the design and operation of our incentive compensation arrangements for senior management, including executive officers, for the purpose of determining whether such programs might encourage inappropriate risk-taking that could have a material adverse effect on the Company. The Compensation Committee considered, among other things, the features of the Company s compensation program that are designed to mitigate compensation-related risk, such as the performance objectives and target levels for incentive awards (which are based on overall Company performance), and the Company s compensation recoupment policy. The Compensation Committee concluded that any risks arising from the Company s compensation plans, policies and practices are not reasonably likely to have a material adverse effect on the Company.

Board Meetings

The Board met six times during the year ended December 31, 2013. All directors participated in more than 75% of the total number of meetings of the Board and committees on which they served.

Following the meetings of the full Board, the independent directors met without management directors (i.e., without Mr. Carlson) participating, for a total of five times in 2013.

Board Compensation

Directors who are employees of the Company or any of its subsidiaries do not receive separate compensation for service on the Board or its committees. Non-employee directors are paid a retainer of $170,000 per year, which we refer to as the annual retainer, while the Chairman of the Board is paid an annual retainer of $340,000 per year. In addition, each of the Chairman of the Compensation Committee, the Chairman of the Nominating and Corporate Governance Committee and the Chairman of the Audit Committee is paid a supplemental annual retainer of $20,000, $10,000 and $20,000, respectively.

Non-employee directors can elect to defer payment of a pre-determined percentage of their compensation under the Autoliv, Inc. 2004 Non-Employee Director Stock-Related Compensation Plan. In 2013, none of the directors elected to defer any of their compensation.

Under the Company s non-employee director stock ownership policy, one-third of the annual retainer for our non-employee directors is paid in fully-vested shares of our common stock in the beginning of the year following the year of service. The non-employee director stock ownership policy requires each non-employee director to acquire and hold shares of our common stock in an amount equivalent to one year s annual retainer. Beginning at the time of the plan s adoption in 2012, non-employee directors have three years to reach the new ownership requirements. Any newly-appointed or elected non-employee director will have until January 1 of the fourth year after the date such non-employee director is appointed or elected, as applicable, to reach the minimum ownership requirements.

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The following table sets forth the compensation that our non-employee directors earned during the year ended December 31, 2013 for services rendered as members of our Board:

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(1)(2)	Total ($)(1)
Bo I. Andersson(3)	141,666	-	141,666
Robert W. Alspaugh	133,333	56,667	190,000
Xiaozhi Liu	113,333	56,667	170,000
George A. Lorch	114,167	56,667	170,834
Lars Nyberg	226,667	113,333	340,000
James M. Ringler	133,333	56,667	190,000
Kazuhiko Sakamoto	113,333	56,667	170,000
Wolfgang Ziebart(4)	105,000	-	105,000

(1) Director compensation is set in USD and converted to Swedish Kronor or Euro, as applicable, at the then-current exchange rate on the date of payment.

(2) On February 19, 2014, the non-employee directors were granted fully-vested shares of the Company s common stock as payment of one-third of the 2013 annual retainer. The numbers reflect the aggregate grant-date fair value of the stock, calculated in accordance with Financial Accounting Standards Board s Accounting Standards Codification Topic 718 (FASB Topic 718).

(3) This amount reflects pro-rated payments to Mr. Andersson prior to his retirement from the Board on November 6, 2013. All fees were paid in cash as Mr. Andersson was not a director and not eligible for shares under our 1997 Stock Incentive Plan at the time the payment of shares was rendered.

(4) This amount reflects pro-rated payments to Dr. Ziebart prior to his retirement from the Board on July 31, 2013. All fees were paid in cash as Dr. Ziebart was not a director and not eligible for shares under our 1997 Stock Incentive Plan at the time the payment of shares was rendered.

Corporate Governance Guidelines and Codes of Conduct and Ethics

The Board has adopted Corporate Governance Guidelines to assist the Board in the exercise of its responsibilities. The Corporate Governance Guidelines have recently been amended to allow a director who reaches the age of 72 during his or her term to continue to serve on the board until the end of his or her term but not to stand for re-election at the next annual meeting of stockholders.

The Board has also adopted a Code of Conduct and Ethics for Directors to assist the individual directors in fulfilling their duties as members of the Board. Since 1998, the Company has also had Standards of Business Conduct and Ethics that apply to all employees of the Company and a Code of Conduct and Ethics for Senior Officers (the Code of Conduct and Ethics for Directors, Code of Conduct and Ethics for Senior Officers and Standards of Business Conduct and Ethics are collectively referred to herein as the Codes).

The Company has also adopted a written policy regarding related person transactions (the Related Person Transactions Policy), which is part of the Standards of Business Conduct and Ethics. The Corporate Governance Guidelines, the Codes and the Related Persons Transactions Policy, and any amendments or waivers related thereto, are posted on the Company s website at www.autoliv.com About Us Governance Ethics and Policies, and can also be obtained from the Company in print by request using the contact information below.

Policy on Attending the Annual Meeting

Under the Corporate Governance Guidelines, the Company s policy is for directors to attend the Annual Meeting. All current directors participated in the 2013 annual meeting of stockholders.

Related Person Transactions

As a general matter, the Company prefers to avoid related person transactions (as defined below). The Company recognizes, however, that certain related person transactions may not necessarily be inconsistent with the best interests of the Company and its stockholders.

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The Company s policy is that all related person transactions must be reviewed and approved or ratified by the Audit Committee. As provided in the Company s written Related Person Transactions Policy, a Related Person Transaction is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which the Company (including any of its subsidiaries) was, is or will be a participant and in which any Related Person (as defined in the Related Person Transactions Policy) had, has or will have a direct or indirect interest. In determining whether to approve a related person transaction, the Audit Committee considers all of the known relevant facts and circumstances, including the benefit to the Company, the terms of the agreement, the possible impact on a director s independence and the availability of other sources for comparable goods or services.

Communicating with the Board

Any stockholder or other interested party who desires to communicate with the Board or the independent directors regarding the Company can do so by writing to such person(s) at the following address:

Board/Independent Directors/ Directors

c/o Vice President Legal Affairs

Autoliv, Inc., Box 70381

SE-107 24 Stockholm, Sweden

Phone: +46 8 587 20600

Fax: +46 8 587 20633

E-mail: legalaffairs@autoliv.com

Communications with the Board or the independent directors may be sent anonymously and are not screened. Such communications will be distributed to the specific director(s) requested by the stockholder or interested party to the Board or to sessions of independent directors as a group, after it has been determined that the content represents a message to the intended recipient(s).

Committees of the Board

There are three standing committees of the Board: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. The Board has also formed a special Compliance Committee. The Board has determined that all members of the Audit, Compensation, Nominating and Corporate Governance and Compliance Committees qualify as independent directors under the applicable rules of the NYSE, the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations promulgated by the SEC. The CEO and Chairman of the Board are invited to attend each committee meeting but are excused when matters relating to them are discussed.

The Audit Committee appoints, subject to stockholder ratification, the Company s independent auditors and is responsible for the compensation, retention and oversight of the work of the independent auditors and for any special assignments given to such auditors. The Audit Committee also (i) reviews the annual audit and its scope, including the independent auditors letter of comments and management s responses thereto; (ii) approves any non-audit services provided to the Company by its independent auditors; (iii) reviews possible violations of the Company s business ethics and conflicts of interest policies; (iv) reviews any major accounting changes made or contemplated; and (v) reviews the effectiveness and efficiency of the Company s internal audit staff. In addition, the Audit Committee confirms that no restrictions have been imposed by Company personnel on the scope of the independent auditors examinations. The Audit Committee is also responsible for the review and approval of related person transactions. Members of this committee are Messrs. Alspaugh (Chairman), Lorch and Ringler. The Audit Committee met eight times in 2013.

The Compensation Committee advises the Board with respect to the compensation to be paid to the directors and executive officers of the Company and is responsible for both advising the Board with respect to the terms of contracts to be entered into with the senior executives of the Company and approving such contracts. The committee also administers the Company s cash and stock incentive plans and reviews and discusses with management the Company s Compensation Discussion and Analysis (CD&A) included herein. Members of this committee are Messrs. Ringler (Chairman) and Lorch and Dr. Liu. The Compensation Committee met three times in 2013.

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The Nominating and Corporate Governance Committee identifies and recommends individuals qualified to serve as members of the Board and assists the Board by reviewing the composition of the Board and its committees, monitoring a process to assess Board effectiveness, and developing and implementing the Company s Corporate Governance Guidelines. The Nominating and Corporate Governance Committee will consider stockholder nominees for election to the Board if timely advance written notice of such nominees is received by the Secretary of the Company at its principal executive offices in accordance with the Company s By-Laws, a copy of which may be obtained by written request to the Company s Secretary or on the Company s website at www.autoliv.com About Us Governance Certificate and By-Laws. Members of this committee are Messrs. Lorch (Chairman) and Sakamoto and Dr. Liu. The Nominating and Corporate Governance Committee met five times in 2013.

The Compliance Committee was formed as a special committee of the Board in June 2011 to assist the Board in overseeing the Company s compliance program with respect to (i) compliance with the laws and regulations applicable to the Company s business and (ii) compliance with Company s Standards of Business Conduct and Ethics and related policies by employees, officers, directors and other agents and associates of the Company that are designed to support lawful and ethical business conduct by the Company and its employees and promote a culture of compliance. The Compliance Committee also oversees the investigation of any alleged noncompliance with law or the Company s compliance programs policies or procedures that is reported to the Compliance Committee (except those relating to financial compliance, which are overseen by the Audit Committee). Members of this committee are Mr. Sakamoto (Chairman) and Mr. Alspaugh and Dr. Liu. The Compliance Committee works closely with the other committees of the Board and has one member that also serves on the Audit Committee and two members that also serve on the Nominating and Corporate Governance Committee. The Compliance Committee met five times in 2013.

The following table shows the composition of the Board s Committees during 2013:

2013 Board Committee Composition			
	January 1 July 31, 2013	**July 31 November 6, 2013**	**November 6, 2013 Current**
Audit Committee	Robert W. Alspaugh (C) Bo I. Andersson Wolfgang Ziebart	Robert W. Alspaugh (C) Bo I. Andersson James M. Ringler	Robert W. Alspaugh (C) George A. Lorch James M. Ringler
Compensation Committee	James M. Ringler (C) Xiaozhi Liu George A. Lorch	James M. Ringler (C) Xiaozhi Liu George A. Lorch	James M. Ringler (C) Xiaozhi Liu George A. Lorch
Nominating and Corporate Governance Committee	Wolfgang Ziebart (C) George A. Lorch Kazuhiko Sakamoto	Bo I. Andersson (C) George A. Lorch Kazuhiko Sakamoto	George A. Lorch (C) Xiaozhi Liu Kazuhiko Sakamoto
Compliance Committee	Wolfgang Ziebart (C) Robert W. Alspaugh Kazuhiko Sakamoto	Kazuhiko Sakamoto (C) Robert W. Alspaugh Xiaozhi Liu	Kazuhiko Sakamoto (C) Robert W. Alspaugh Xiaozhi Liu

Audit Committee Report

The Audit Committee of the Board is responsible for providing independent, objective oversight of the Company s accounting functions and internal controls.

The Audit Committee acts pursuant to a written charter. The committee s current charter is posted on the Company s website at www.autoliv.com About Us Governance Board of Directors Committees, and can also be obtained free of charge in print by request from the Company using the contact information below. Each member of the Audit Committee is independent as defined in, and is qualified to serve on the committee pursuant to, the rules of the NYSE, the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations promulgated by the SEC. Each member is financially literate and possesses accounting or related financial management expertise, and Mr. Alspaugh has been determined by the Board to qualify as an audit committee financial expert as defined by the SEC. The Audit Committee reviews the Company s financial reporting process on behalf of the Board. In fulfilling its responsibilities, the Audit Committee has reviewed and discussed the audited financial statements contained in the 2013 Annual Report on Form 10-K with the Company s management and independent auditors. The Company s management is responsible for the financial statements and the reporting process, including the system of internal controls. The independent auditors are responsible for expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States.

The Audit Committee discussed with the independent auditors the matters required to be discussed by the Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T. In addition, the Company s independent auditors provided to the Audit Committee the written disclosures required by the Public Company Accounting Oversight Board s applicable requirements regarding the independent auditors communications with the Audit Committee concerning independence. The Audit Committee has discussed with the independent auditors the independent auditors independence. The Audit Committee reviews and oversees the independence of the independent auditors and has concluded that the independent auditors provision of non-audit services to the Company is compatible with the independent auditors independence. In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board (and the Board approved) that the audited financial statements be included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2013, for filing with the SEC.

The Audit Committee can be contacted regarding accounting, internal accounting controls, or auditing matters as follows:

The Audit Committee

c/o Vice President Legal Affairs

Autoliv, Inc., Box 70381

SE-107 24 Stockholm, Sweden

Phone: +46 8 587 20 600

Fax: +46 8 587 20 633

E-mail: legalaffairs@autoliv.com

Communications with the committee are not screened and can be made anonymously. The Chairman of the committee will receive all such communications after it has been determined that the contents represent a message to the committee.

Robert W. Alspaugh, Chairman

George A. Lorch

James M. Ringler

Nominating and Corporate Governance Committee Report

The Nominating and Corporate Governance Committee of the Board is responsible for identifying and recommending to the Board individuals who are qualified to serve as directors of the Company and on committees of the Board. The Nominating and Corporate Governance Committee further advises the Board on composition and procedures of committees, and it is responsible for the development of the Company s Corporate Governance Guidelines and the oversight of the evaluation of the Board and its committees and members of the Company s management.

The Nominating and Corporate Governance Committee acts pursuant to a written charter. A copy of the committee s charter is available on the Company s website at www.autoliv.com About Us Governance Board of Directors Committees and can also be obtained free of charge in print by request from the Company using the contact information below. Each of the members of the committee is independent as defined in, and is qualified to serve on the committee pursuant to, the applicable rules of the NYSE, the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations promulgated by the SEC.

The committee has also considered and recommended that Mr. Jan Carlson, Mr. Lars Nyberg and Mr. James Ringler be nominated for re-election by the stockholders at the Annual Meeting. Messrs. Nyberg and Ringler are each independent as defined in the applicable rules of the

NYSE, the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations promulgated by the SEC.

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The Nominating and Corporate Governance Committee will consider a director candidate nominated by a stockholder provided that such nomination is submitted to the committee within the time period set forth in Article II, Section 6 of the By-Laws. In considering candidates submitted by stockholders, the Nominating and Corporate Governance Committee will take into consideration the needs of the Board and the qualifications of the candidate. In considering possible candidates for election as a director, the Nominating and Corporate Governance Committee reviews the qualifications and backgrounds of the candidates, including the following: candidate has (i) attained a position of leadership in the candidate s area of expertise, (ii) business and financial experience relevant to the Company, (iii) demonstrated sound business judgment, (iv) expertise relevant to the Company s lines of business, (v) independence from management, (vi) the ability to serve on standing committees and (vii) the ability to serve the interests of all stockholders. The Nominating and Corporate Governance Committee routinely considers board candidates with a broad range of educational and professional experiences from a variety of countries. While the Board has no separate formal policy, the By-Laws and the Company s Corporate Governance Guidelines provide that the backgrounds and experiences of the director nominees shall reflect the global operations of the Company. The current Board consists of directors who are citizens of or reside in multiple countries including the United States, Sweden, Japan, China and Germany and directors with a wide range of management, operating, finance and engineering skills. The Nominating and Corporate Governance Committee, the Board and the Company place a high priority on diversity, with a particular emphasis on individuals with a wide variety of management, operating, engineering and finance experiences and skills as well as individuals from the Company s different operating regions. The Nominating and Corporate Governance Committee continues to look for opportunities to further progress its diversity initiatives.

The Nominating and Corporate Governance Committee identifies potential director nominees by asking current directors and executive officers to notify the committee if they become aware of persons meeting the criteria described above. The Nominating and Corporate Governance Committee also, from time to time, engages firms that specialize in identifying director candidates. As described above, the Nominating and Corporate Governance Committee will also consider candidates recommended by stockholders. Once a person has been identified by the Nominating and Corporate Governance Committee as a potential candidate, the committee collects and reviews publicly available information regarding the person to determine whether further consideration should be given to the person s candidacy. If the Nominating and Corporate Governance Committee determines that the candidate warrants further consideration, the chairman of the committee or another member of the committee will contact such person. Generally, if the person expresses a willingness to be considered to serve on the Board, the Nominating and Corporate Governance Committee will request information from the candidate, review the candidate s accomplishments and qualifications in light of the qualifications of any individuals the committee might be considering, and conduct one or more interviews with the candidate. In certain instances, committee members may contact one or more references provided by the candidate or may contact other members of the business community or other persons that may have first-hand knowledge of the candidate s accomplishments. The Nominating and Corporate Governance Committee s evaluation process does not vary based on whether a candidate is recommended by a stockholder.

The Nominating and Corporate Governance Committee can be contacted as follows:

The Nominating and Corporate Governance Committee

c/o Vice President Legal Affairs

Autoliv, Inc., Box 70381

SE-107 24 Stockholm, Sweden

Phone: +46 8 587 20 600

Fax: +46 8 587 20 633

E-mail: legalaffairs@autoliv.com

Communications with the committee are not screened and can be made anonymously. The Chairman of the committee receives all such communications after it has been determined that the content represents a message to the committee.

George A. Lorch, Chairman

Xiaozhi Liu

Kazuhiko Sakamoto

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Compensation Committee Duties, Procedures and Policies

The Compensation Committee acts pursuant to a written charter. The charter is posted on the Company s website at www.autoliv.com About Us Governance Board of Directors Committees, and can also be obtained free of charge in print by request from the Company using the contact information below. Each member of the Compensation Committee has been determined by the Board to be independent as defined in, and is qualified to serve on the committee pursuant to, the rules of the NYSE, the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated by the SEC.

The Compensation Committee is responsible for (i) reviewing annually the Company s executive compensation plans in light of the Company s goals and objectives of such plans; (ii) evaluating annually the performance of the Chief Executive Officer in light of the goals and objectives of the Company s executive compensation plans and together with the other independent directors, determining and approving the Chief Executive Officer s compensation level based on this evaluation; (iii) evaluating annually the performance of the other executive officers of the Company in light of the goals and objectives of the Company s executive compensation plans, and setting the compensation of such other executive officers based on this evaluation; (iv) evaluating annually the appropriate level of compensation for Board and committee service by non-employee directors; (v) reviewing and approving any severance or termination arrangements to be made with any executive officer of the Company; (vi) reviewing perquisites or other personal benefits to the Company s executive officers and directors and recommending any changes to the Board; (vii) reviewing and discussing with management the CD&A, included on page 21 of this Proxy Statement, and based on that review and discussion, recommending to the Board that the CD&A be included in the Company s annual proxy statement or annual report on Form 10-K; (viii) preparing the Compensation Committee Report for inclusion in the annual proxy statement or annual report on Form 10-K; and (ix) reviewing the description of the Compensation Committee s process and procedures for the consideration and determination of executive officer and director compensation to be included in the Company s annual proxy statement.

The Compensation Committee from time to time uses independent compensation consultants to provide advice and ongoing recommendations regarding executive compensation. In 2013, the Company engaged Towers Watson as a compensation consultant. The Compensation Committee also engaged an independent advisor, Mr. Gerrit Aronson. Mr. Aronson reported directly to the Compensation Committee with respect to executive compensation matters. For additional information regarding the role of each of these compensation consultants and the scope of their engagement, see page 30 of this Proxy Statement. In addition to providing advice on the amount and form of executive compensation, Towers Watson conducted an employee engagement/quality assurance survey for the Company. The Company paid Towers Watson a total of approximately $264,511 for services provided in 2013. Of this amount, approximately $58,000 was paid as a result of the executive compensation consulting work and approximately $206,511 was paid in connection with the aforementioned survey. The decision to use Towers Watson for the employee engagement/quality assurance survey was made by the Vice President of Quality and Manufacturing and the Vice President of Human Resources and was not presented for approval by the Compensation Committee or the full Board. Mr. Aronson did not provide any services in 2013 beyond the scope of his engagement with the Compensation Committee.

The Compensation Committee considered the independence of Towers Watson and Mr. Aronson in light of new SEC rules and NYSE listing standards. The Compensation Committee also received a letter from each of Towers Watson and Mr. Aronson addressing their independence. The Compensation Committee considered the following factors in determining the independence of the compensation consultants: (i) other services provided to the Company by each of Towers Watson and Mr. Aronson; (ii) fees paid by the Company as a percentage of Towers Watson s and Mr. Aronson s total revenue; (iii) policies or procedures maintained by Towers Watson and Mr. Aronson that are designed to prevent a conflict of interest; (iv) any business or personal relationships between the individual consultants involved in the engagement and any member of the Compensation Committee; (v) any Company stock owned by the individual consultants involved in the engagement; and (vi) any business or personal relationships between the Company s executive officers and Mr. Aronson or Towers Watson or the individual consultants involved in the engagement. The Compensation Committee discussed these independence factors and concluded that the work of Towers Watson and Mr. Aronson did not raise any conflicts of interest.

The Compensation Committee may form subcommittees for any purpose it deems appropriate and may delegate to any subcommittee such power and authority as it deems appropriate provided that no subcommittee

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shall consist of fewer than two members and that the Compensation Committee shall not delegate any power or authority required by any law, regulation or listing standard to be exercised by the Compensation Committee as a whole. Under the Company s 1997 Stock Incentive Plan, as amended and restated (the 1997 Plan), the Compensation Committee may, to the extent that any such action will not prevent the 1997 Plan from complying with applicable rules and regulations, delegate any of its authority thereunder to such persons as it deems appropriate.

The Vice President for Human Resources of the Company generally acts as Secretary of the Compensation Committee.

The Compensation Committee can be contacted as follows:

The Compensation Committee

c/o Vice President Legal Affairs

Autoliv, Inc., Box 70381

SE-107 24 Stockholm, Sweden

Phone: +46 8 587 20 600

Fax: +46 8 587 20 633

E-mail: legalaffairs@autoliv.com

Communications with the committee are not screened and can be made anonymously. The Chairman of the committee receives all such communications after it has been determined that the content represents a message to the committee.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee is comprised exclusively of directors who have never been employed by the Company and who are independent as defined in the applicable rules of the NYSE, the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations promulgated by the SEC. No executive officer of the Company served as a member of the compensation committee of another entity, one of whose executive officers served on the Company s Compensation Committee. No executive officer of the Company served as a director of another entity, one of whose executive officers either served on the compensation committee of such entity or served as a director of the Company.

Compensation Committee Report[1]

The Compensation Committee has reviewed and discussed with management the Company s Compensation Discussion and Analysis, and based on such review and discussions, has recommended to the Board that the Compensation Discussion and Analysis be included in the Company s 2014 Annual Meeting Proxy Statement and incorporated by reference into the Company s 2013 Annual Report on Form 10-K.

James M. Ringler, Chairman

Xiaozhi Liu

George A. Lorch

The Swedish Corporate Governance Code

Swedish companies with shares admitted to trading on a regulated market in Sweden, including the NASDAQ OMX Stockholm Exchange (the OMX), are subject to the Swedish Corporate Governance Code (the Swedish Code). This is a codification of best practices for Swedish listed companies based on Swedish practices and circumstances. The Swedish Code follows a comply or disclose approach; its recommendations are not binding on companies but if its recommendations are not complied with, the deviation must be explained. A non-Swedish company listed in Sweden can elect to either apply the Swedish Code or the corresponding local

[1] The material in this report is not soliciting material, is not deemed filed with the SEC and is not incorporated by reference in any filing of the Company under the Securities Act of 1933, as amended, whether made on, before, or after the date of this Proxy Statement and irrespective of any general incorporation language in such filing.

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rules and codes where the company s shares have their primary listing or where the company is headquartered. As a Delaware corporation with its primary listing on the NYSE, the Company has elected to apply U.S. corporate governance rules and standards. These U.S. rules and standards are described in the Corporate Governance section beginning on page 84 of the Company s 2013 Annual Report on Form 10-K. In addition, this Proxy Statement provides detailed information on various subjects covered by the Swedish Code.

Forward-Looking Statements

This Proxy Statement contains statements that are not historical facts but rather forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include those that address activities, events or developments that Autoliv, Inc. or its management believes or anticipates may occur in the future. For example, forward-looking statements include, without limitation, statements relating to industry trends (including light vehicle production), business opportunities, sales contracts, sales backlog, and on-going commercial arrangements and discussions, as well as any statements about estimated sales, operating margin, effective tax rate, or other future operating performance or financial results.

In some cases, you can identify these statements by forward-looking words such as estimates, expects, anticipates, projects, plans, intends, believes, may, likely, might, will, should, or the negative of these terms and other comparable terminology, although not all forward-look statements contain such words.

All forward-looking statements, including without limitation, management s examination of historical operating trends and data, are based upon our current expectations, various assumptions and data available from third parties. Our expectations and assumptions are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that such forward-looking statements will materialize or prove to be correct as forward-looking statements are inherently subject to known and unknown risks, uncertainties and other factors which may cause actual future results, performance or achievements to differ materially from the future results, performance or achievements expressed in or implied by such forward-looking statements.

Because these forward-looking statements involve risks and uncertainties, the outcome could differ materially from those set out in the forward-looking statements for a variety of reasons, including without limitation, changes in global light vehicle production; fluctuation in vehicle production schedules for which the Company is a supplier; market acceptance of our new products; changes in general industry market conditions or regional growth or declines; changes in and the successful execution of our capacity alignment, restructuring and cost reduction initiatives discussed herein and the market reaction thereto; loss of business from increased competition; higher raw material, fuel and energy costs; changes in consumer and customer preferences for end products; customer losses; changes in regulatory conditions; customer bankruptcies; consolidations or restructuring; divestiture of customer brands; unfavorable fluctuations in currencies or interest rates among the various jurisdictions in which we operate; component shortages; costs or difficulties related to the integration of any new or acquired businesses and technologies; continued uncertainty in program awards and performance; the financial results of companies in which Autoliv has made technology investments or joint-venture arrangements; pricing negotiations with customers; our ability to be awarded new business; product liability, warranty and recall claims and other litigation and customer reactions thereto; higher expenses for our pension and other postretirement benefits including higher funding requirements of our pension plans; work stoppages or other labor issues at our facilities or at the facilities of our customers or suppliers; possible adverse results of pending or future litigation or infringement claims; negative impacts of antitrust investigations or other governmental investigations and associated litigation relating to the conduct of our business; tax assessments by governmental authorities and changes in our effective tax rate; dependence on key personnel; legislative or regulatory changes limiting our business; political conditions; dependence on and relationships with customers and suppliers; and other risks and uncertainties identified in Item 1A Risk Factors and Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations in our 10-K for the year ended December 31, 2013. The Company undertakes no obligation to update publicly or revise any forward-looking statements in light of new information or future events.

For any forward-looking statements contained in this or any other document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we assume no obligation to update any such statement.

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EXECUTIVE OFFICERS OF THE COMPANY

Set forth below is information regarding the current executive officers of the Company who are not also directors (information about Mr. Jan Carlson, Director, President and Chief Executive Officer, can be found on page [ ]):

Mats Adamson, age 54, Vice President Human Resources, appointed on June 1, 2010. Prior to assuming his current position, Mr. Adamson was Senior Vice President Group Human Resources at Swedish Match, a producer of smoke-free tobacco products, cigars and light products listed on the Stockholm Stock Exchange. He had held this position since 2007. From 1994 to 1997, Mr. Adamson was Human Resource Manager for Swedish Match s Estonian subsidiary. In 1997, he was promoted to Human Resource Director for the Swedish Match North European Sales Region and in 1999 to Vice President Human Resources for the Swedish Match North Europe Division. Prior to joining Swedish Match, he held various human resource positions between 1990 and 1994 at Nordbanken, the predecessor of Nordea, the largest bank in the Nordic region. When Mr. Adamson started at Nordbanken he came from a successful career in the Swedish military.

Henrik Arrland, age 46, Vice President Purchasing, appointed on September 1, 2011. From 2009 until his appointment to this position, Mr. Arrland was Director for Production of Axles worldwide at Scania, the heavy truck maker. From 1990 through 1995, he was Sourcing Manager in Global Purchasing at Scania. He joined Autoliv in 1995 and held the position of Manager for Purchasing Coordination until 1997. From 1997 through 1998, he was Purchasing Manager at ITT Flygt, the global submersible pump supplier within ITT Group, after which he returned to Scania as Purchasing Manager for Cabs in Global Purchasing. In 2001, he was promoted to Purchasing Director in Trucks and Buses for Scania Latin America located in São Paulo, Brazil and in 2005 to Purchasing Director Powertrain in Scania Global Purchasing. Mr. Arrland has a Polytechnic College Exam and holds a Bachelor s Degree in Business and Administration from Stockholm University.

Chang Ket Leong (George Chang), age 49, President Autoliv Asia, appointed on April 1, 2012. Mr. Chang has worked for Autoliv since 1997 when he started his career as Regional Purchasing Manager for Autoliv Asia Pacific. Prior to assuming his current position, he was President of Autoliv China, an operation that, under his leadership, grew its sales from $10 million in 2000 to more than $1.1 billion in 2011. Mr. Chang holds a Bachelor Degree in Mechanical (Aeronautical) Engineering from the University of Technology in Malaysia and an MBA from the Heriot Watt University in Edinburgh, Scotland.

Steven Fredin, age 52, President Autoliv Americas Region, appointed on March 2, 2011. Mr. Fredin has worked for Autoliv since 1988 and has been a key technical leader in virtually all of Autoliv s product areas. Prior to assuming his current position, he was Vice President Engineering of the Company. Mr. Fredin has also served as Director Global System Development of the Company and Vice President of Seatbelt Development for Autoliv North America. Mr. Fredin holds a Bachelor of Science degree in Mechanical Engineering from Michigan Technological University.

Thomas Jönsson, age 47, Vice President of Corporate Communications, appointed on May 1, 2013. Prior to joining Autoliv on January 21, 2013, Mr. Jönsson was Vice President of Brand and External Communications for TeliaSonera, the leading Nordic and Baltic telecommunications company listed on the OMX Nordic Exchange, a position he held from June 2010 to December 2012. Before joining TeliaSonera, Mr. Jönsson had an international career in communications working for Nokia, a global telecommunications company, which he joined in 1999. During his 11 years with Nokia, he held various positions in Sweden, the United Kingdom, Finland, and China. Mr. Jönsson started his career in communications with Intel Corporation in 1996. He studied Business Administration from the University of Stockholm.

Johan Löfvenholm, age 44, Vice President Engineering, appointed on November 1, 2011. Mr. Löfvenholm has worked for Autoliv since 1995 when he started his career as a trainee. Since then he has held several positions within the Company, such as Product Development Manager of Autoliv Sweden and Tech Center Director of Autoliv Sweden. In December 2004, Mr. Löfvenholm took on a regional responsibility when he was appointed Director of Technical & Marketing for Autoliv Asia Pacific. In this role he was also a member of the Asia Pacific Management Team as well as a member of the Autoliv Research & Development Board. In January 2008, Mr. Löfvenholm was appointed President of Autoliv India and was responsible for all Autoliv operations in India and in parallel also engaged in his previous engineering role. In July 2010, Mr. Löfvenholm took on the position of

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Vice President Electronics Europe, with responsibility for all passive electronic operations in Europe as well as membership on the Autoliv Europe and Electronics Management Board teams. Mr. Löfvenholm holds a Master of Science in Engineering from Chalmers University of Technology in Gothenburg, Sweden.

Svante Mogefors, age 59, Vice President Quality and Manufacturing, appointed on April 1, 2005, after having been Director Corporate Quality of Autoliv AB since 2003. In March 2009, Mr. Mogefors took the additional role of Vice President Manufacturing. Mr. Mogefors initially joined Autoliv in 1985 and has experience in several roles within the Company, including in the areas of product development, process implementations and quality control. Between 1990 and 1996, Mr. Mogefors was for a period President of Lesjöfors Herrljunga AB and for another period President of Moelven E-Modul AB. Mr. Mogefors holds a Master of Science degree from the Chalmers University of Technology in Gothenburg, Sweden.

Anthony Nellis, age 46, Interim Vice President Legal Affairs, General Counsel and Secretary since January 2014. Mr. Nellis joined Autoliv in 2001 as Associate General Counsel for North American region and since May 2010 has held the position of Vice President of Legal for Autoliv Asia. Prior to joining Autoliv, Mr. Nellis was a litigation partner in the Detroit-based firm of Kitch Drutchas. Mr. Nellis holds a law degree from the University of Detroit and is admitted to practice law in the State of Michigan.

Jonas Nilsson, age 42, President Autoliv Europe, appointed on January 10, 2014. Prior to assuming his current position, Mr. Nilsson was the Senior Vice President of European Operations at IAC Group, a designer and manufacturer of interior products for the global automotive market, a position he held since March 2012. Between 2010 and 2012, Mr. Nilsson was the COO at Franke Kitchen Systems group, based in Aarburg, Switzerland, a global designer and marketer of kitchens systems. Prior to this, between January 2008 and January 2010, Mr. Nilsson was with Visteon as the Director of European Operations at the interiors division as well as the Business Unit Director of the Volvo Trucks, Renault and Nissan divisions. Prior to this, Mr. Nilsson worked for Lear Corporation between December 1999 and January 2008, in various roles of increasing responsibility such as Plant Manager, Operations Director and Business Unit Director based in Gothenburg, Sweden; Paris, France and Munich, Germany. Mr. Nilsson has a BSc in Engineering from the Chalmers University of Technology in Gothenburg and an EMBA from ECSP Europe.

Jan Olsson, age 59, Vice President Research, appointed on April 1, 2005. On March 2, 2011, Mr. Olsson was also appointed acting Vice President Engineering, a temporary position he held during 2011 until Mr. Löfvenholm was appointed to the position. Mr. Olsson joined Autoliv in 1987, and was previously Vice President Engineering from 1997 to 2005, President of Autoliv Sverige AB from 1994 to 1997 and Manager of Engineering of Autoliv Sverige AB from 1989 until August 1994. Mr. Olsson holds a Master of Science degree from the Chalmers Institute of Technology in Gothenburg, Sweden.

Steve Rodé, age 52, President Autoliv Electronics, appointed on April 1, 2007. Mr. Rodé joined Autoliv in 2002, as part of the acquisition of Visteon Restraint Electronics. As Vice President of Autoliv Electronics America, he was responsible for the successful integration and growth of the North American electronics team. In 2007, he was given responsibility for global electronics and has been a leader in the growth of the Company s Active Safety business. Between 1985 and 2002, he held positions in manufacturing and product development at Ford Electronics and Visteon. Mr. Rodé holds a Bachelor of Applied Science degree in Mechanical Engineering from the University of Waterloo in Canada.

Franck Roussel, age 48, Vice President Operational Projects and Global Work Stream Leader, appointed January 2014. Mr. Roussel served as Interim President of Autoliv Europe from April 2013 through January 2014. Mr. Roussel joined Autoliv in 1994 and has held several leadership positions such as Plant Manager for Autoliv Turkey and Managing Director for Autoliv Steering Wheels and Inflators, both in China. He is an engineering graduate of C.E.S.T.I. (Institut Supérieur de Mécanique de Paris) where he specialized in mechanical and industrial engineering.

Lars Sjöbring, age 46, served as Vice President Legal Affairs, General Counsel and Secretary from September 2007 until December 2013. Prior to joining Autoliv, Mr. Sjöbring held various positions with Telia AB, the predecessor to TeliaSonera AB; Skadden Arps, Slate, Meagher and Flom LLP; and most recently prior to joining Autoliv, was Director Legal, M&A at Nokia Corp. Mr. Sjöbring holds Master of Law degrees from the

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University of Lund in Sweden; Amsterdam School of International Relations (ASIR) in the Netherlands; and Fordham University School of Law in New York. Mr. Sjöbring is admitted to practice law in the State of New York. Mr. Sjöbring resigned from the Company effective February 28, 2014.

Mats Wallin, age 49, Vice President and Chief Financial Officer, appointed on July 9, 2009 after having been Corporate Controller of Autoliv since 2002. Mr. Wallin was also acting Chief Financial Officer of the Company for four months during 2008. Mr. Wallin joined Autoliv in 2002, and oversaw the initial implementation of compliance procedures relating to the Sarbanes-Oxley Act of 2002, as amended. Between 1985 and 2002, Mr. Wallin held various positions in ABB, a global leader in power and automation technologies. He holds a Bachelor of Science in Business Administration and Economics from the Uppsala University in Sweden.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of our common stock as of December 31, 2013 for each person known by us to beneficially own more than 5% of our common stock, except where otherwise noted, and as of February 28, 2014 for (i) each of our directors and nominees; (ii) our named executive officers (as defined on page 21 below); and (iii) all of our directors, named executive officers and executive officers as a group.

	Common Stock Beneficially Owned(1)(2)	
Name of Beneficial Owner	**Number of Shares**	**Percent of Total**
5% Stockholders		
Alecta pensionsförsäkring, ömsesidigt (3)		
Regeringsgatan 107, SE-103 73		
Stockholm, Sweden	8,037,500	8.5%
AMF Pensionsförssäkring AB (4)		
Klara Södra Kyrkogata 18 113 88		
Stockholm, Sweden	5,948,280	6.3%
Directors and Named Executive Officers		
Robert W. Alspaugh	3,697	*
Jan Carlson	168,036	*
George Chang	9,436	*
Steve Fredin	17,313	*
Xiaozhi Liu	1,345	*
George A. Lorch	1,719	*
Lars Nyberg	2,689	*
James M. Ringler	2,380	*
Kazuhiko Sakamoto	1,345	*
Lars Sjöbring (5)	0	
Mats Wallin	26,798	*
All directors, named executive officers and executive officers as a group (19 individuals)(6)	289,405	*

* Less than 1%

(1) Based on 94,206,283 shares of the Company s common stock outstanding as of February 28, 2014. The figures in the table and notes thereto represent beneficial ownership and sole voting and investment power except where indicated.

(2) Includes shares which the following individuals have the right to acquire upon exercise of options exercisable within 60 days and restricted stock units vested as of February 28, 2014, or within 60 days therefrom: Jan Carlson, 112,175 shares, George Chang, 6,274 shares, Steve Fredin, 14,980 shares, Lars Sjöbring, 0 shares, and Mats Wallin, 21,290 shares.

(3) The amounts shown and the following information were provided by Alecta pensionsförsäkring, ömsesidigt pursuant to Amendment No. 4 to its Schedule 13G filed with the SEC on February 3, 2014, indicating beneficial ownership as of December 31, 2013 based on 94,396,500 outstanding shares of the Company s common stock. Alecta pensionsförsäkring, ömsesidigt reported sole power to vote and dispose of all such shares.

(4)

The amounts shown and the following information were provided by AMF to the Company pursuant to Amendment No. 1 to its Schedule 13G filed with the SEC on March [______], 2014 indicating beneficial ownership as of December 31, 2013 based on 94,396,500 outstanding shares of the Company s common stock.

(5) Mr. Sjöbring was the Company s Vice President Legal, General Counsel and Secretary until December 2013 and resigned from the Company effective February 28, 2014.

(6) Includes 182,373 shares issuable upon exercise of options exercisable within 60 days and vesting of RSUs as of February 28, 2014.

RESPONSES TO STOCKHOLDER COMMENTS

We are committed to regularly corresponding with and listening to our stockholders and addressing, where appropriate, concerns raised by stockholders and by proxy advisory firms. In response to current themes in corporate governance, comments received in recent years, and as a reflection of the Company s commitment to the highest standards of corporate governance, the Company notes the following:

Classification of the Board

This year we are presenting a proposal to the stockholders to amend the Company s Restated Certificate to declassify the Board of Directors. See page 49.

Stock Ownership Guidelines for Directors and Executives

The Board has adopted a stock ownership policy (a) for our non-employee directors (effective January 1, 2012) and (b) for our executive officers (effective January 1, 2013).

Independent Chairman of the Board

Our current Chairman, Lars Nyberg, is an independent director under SEC and NYSE rules and regulations and, we believe, under the relevant standards applied by major proxy advisory firms.

Local Market and Modified Single Trigger Change-in-Control Provisions

We have traditionally provided our executives with contractual change-in-control and severance benefits. While we do not intend to modify our existing agreements, over the past several years, the Company has included updated provisions in its severance agreements for newly hired executives that provide benefits more in line with the local market practices where each executive resides. This has generally resulted in less-generous change-in-control provisions for executives. In 2011, the Company adopted a policy that any future severance agreements for newly hired executives will include double-trigger benefits (which are provided to the individual only if there is both the occurrence of a change in control and the involuntary or constructive termination of the individual within a designated protection period), rather than modified single-trigger arrangements (which are paid to an individual if he or she voluntarily terminates employment during a specified period following a change in control). Several of our executives, including two of our named executive officers, Steve Fredin and George Chang, currently have agreements with double-trigger arrangements. In 2012, the Company determined that, for newly-hired executives, change-in-control severance protection will only be offered if consistent with local market practice.

Discretionary Preferred Stock

The Board is authorized to issue up to 25,000,000 shares of preferred stock and has authority to determine voting rights, dividends, and conversion privileges for such preferred stock without separate stockholder approval. While some criticize the availability of this mechanism, the Board believes that this discretionary preferred stock is an important tool for the Board to maximize stockholder value if one stockholder or a group of stockholders seeks to exercise influence over the Company s policies to the detriment of other stockholders.

Long-Term Equity Incentives in 2013

Compared to our U.S. peers, our management has a lower percentage of its total compensation composed of at-risk pay, which some have commented as not providing a strong enough incentive for long-term growth. This was exaggerated by the flat long-term incentive (LTI) values over the past five years, while other compensation components increased. To address this lack of a proportional increase in LTI values and to increase the overall at-risk pay, the Compensation Committee increased the 2013 LTI values by approximately 25%.

LTI Programs

The Company believes that, while its LTI programs for executives do not include performance-based equity awards, they are nonetheless useful for aligning their interests directly with stockholders and focusing on long-term stockholder value. The Board believes the relatively modest equity awards, including the approximately 25% increase in 2013 as described above, provide an appropriate level of equity without incentivizing inappropriate risk-taking that may result from more highly leveraged performance-based equity awards.

Discretion to Adjust Awards

The Compensation Committee has the discretion to adjust short-term incentive (STI) awards for extraordinary events. One proxy advisor suggested that this discretion should be eliminated or limited. The Board believes that such discretion is a useful tool by which the Compensation Committee can address extraordinary events. No such adjustments have been made since 2007, including during the extraordinary financial crisis in 2008-2009 (at which time no STIs were awarded), which demonstrates the caution with which the Compensation Committee applies this authority.

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COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis (CD&A) describes the material elements of compensation awarded to, earned by, or paid to each of the Company s named executive officers during the last completed fiscal year, and discusses the principles and decisions underlying our executive compensation policies and the most important factors relevant to an analysis of these decisions and policies.

In accordance with the relevant rules and regulations promulgated by the SEC, our named executive officers are Jan Carlson, our CEO, Mats Wallin, our CFO, and our three other executive officers who had the highest total compensation during 2013: George Chang (President Autoliv Asia), Steven Fredin (President Autoliv Americas) and Lars Sjöbring, our former Vice President Legal Affairs, General Counsel and Secretary.

Executive Summary

The following provides a brief overview of our fiscal 2013 compensation program:

- We did not make any significant changes to the Company s compensation components from 2012 to 2013. Total direct compensation for our named executive officers in 2013 continued to consist of base salary, target annual non-equity incentives, and long-term equity incentives.

- The Compensation Committee continued to review market data for the regions in which such executives are located, as it has in prior years. Base salary, annual non-equity incentive levels and long-term equity incentive levels are benchmarked against the median of (i) the Swedish peer group for executives located in Sweden, (ii) a U.S. peer group for executives located in the U.S. and (iii) the Shanghai market data for executives in China.

- The Compensation Committee s objective is for our named executive officers total direct compensation (base salary plus target annual non-equity incentive award plus the expected value of long term incentives) to approximate the market median (+/- 25%). Base salary should comprise, on average over time, 40% of total direct compensation for the CEO and 50% for other named executive officers.

- The Compensation Committee also reviews the total compensation (total direct compensation plus the Company s contribution to the executive s defined contribution plan) of our named executive officers.

- The compensation of our named executive officers is significantly affected by our financial results. Our annual non-equity incentive is based on our operating income, and operating income in 2013 was 7.94% higher than in 2012. As a result, each of our named executive officers earned in 2013 annual non-equity incentive awards that were slightly above target.

- The value of the long-term equity incentive awards granted to our executive officers for each of the past five years has remained unchanged, which has had the effect of reducing the percentage of total direct compensation that is at-risk. In light of this five-year period of flat LTI awards, and after considering the benefits of tying a significant portion of total direct compensation to long term incentives, the Compensation Committee increased the value of LTI awards granted in 2013 by approximately 25%.

- Effective January 1, 2013, the Company adopted stock ownership guidelines for its executive officers. Pursuant to these guidelines, each executive officer is expected to accumulate and hold shares of Company common stock having a value at least equal to (i) 2x his annual base salary, in the case of the CEO, and (ii) 1x annual base salary, in the case of each executive other than the CEO. Executives are expected to make continuous progress toward their respective ownership requirements. Until the executive has satisfied the stock ownership guidelines, he or she will be required to retain 75% of the net sales proceeds (i.e., after taxes and fees) of the shares received upon settlement of restricted stock units granted on or after January 1, 2013.

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2013 Executive Compensation Program

The following section of this CD&A focuses on the compensation paid to the named executive officers during 2013. A discussion of the Company s compensation philosophy and program as a whole follows this section, and information regarding the market data referred to in this section may be found later in this CD&A.

Total Direct Compensation and Total Compensation

In reviewing and setting each element of compensation for 2013, the Compensation Committee reviewed 2012 total direct compensation levels against the median of the market data described later in this CD&A, with the objective of being within +/-25% of that median.

Messrs. Carlson s, Wallin s and Sjöbring s 2012 total direct compensation was within the targeted range of the market median of the Swedish peer group in the same period.

Mr. Fredin s 2012 total direct compensation (and total compensation, as described below) was below the targeted range of the market median of the U.S. peer group in the same period, primarily due to the target annual non-equity incentive award and the expected value of long term incentives being below the median of the U.S. peer group.

Mr. Chang s 2012 total direct compensation (and total compensation, as described below) was above the targeted range of the market median of the Shanghai market data, primarily due to his base salary being above the median base salary reflected in the Shanghai market data, as discussed in greater detail below, for a number of reasons. Mr. Chang s current base salary was set primarily by reference to internal benchmarks for other regional presidents, and also based on consideration of his compensation from his previous position as President of Autoliv China, during which time the Company s operations in China achieved extraordinary growth.

The Compensation Committee also reviewed the total compensation (total direct compensation plus the Company s contribution to the executive s defined contribution plan) of our named executive officers, but, unlike the +/- 25% of market median benchmark for total direct compensation, the Compensation Committee does not target total compensation at a particular level or quartile within the relevant market data.

Mr. Carlson s 2012 total compensation was approximately 8% above the median total compensation for the Swedish peer group in the same period.

Mr. Wallin s 2012 total compensation was approximately 1% below the median total compensation for the Swedish peer group in the same period.

Mr. Chang s 2012 total compensation was approximately 58% above the median total compensation reflected in the Shanghai market data in the same period.

Mr. Fredin s 2012 total compensation was approximately 55% below the median total compensation for the U.S. peer group in the same period.

Mr. Sjöbring s 2012 total compensation was approximately 9% below the median total compensation for the Swedish peer group in the same period.

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2013 Base Salaries

In determining base salary levels for 2013, the Compensation Committee reviewed the relevant market data (including 2012 total direct compensation levels), the Company s financial performance in 2012, the individual performance of each named executive officer (both throughout the course of his tenure with the Company and during 2012), information provided by the Vice President, Human Resources, and the recommendations of the CEO with respect to the base salaries for the named executive officers other than himself. Based on such review, the Compensation Committee approved the following adjustments:

Mr. Carlson s 2012 base salary was 17% below the median base salary for the Swedish peer group in the same period. Based on such market data and the Compensation Committee s review as described above, the Compensation Committee approved a 5% base salary increase in 2013. Mr. Carlson s base salary comprised approximately 47% of his total direct compensation in 2013.

Mr. Wallin s 2012 base salary was approximately 7% below the median base salary for the Swedish peer group in the same period. Based on such market data and the Compensation Committee s review as described above, the Compensation Committee approved a 6% base salary increase in 2013. Mr. Wallin s base salary comprised approximately 54% of his total direct compensation in 2013.

Mr. Chang s 2012 base salary was approximately 29% above the median base salary reflected in the Shanghai market data in the same period. Based on such market data and the Compensation Committee s review as described above, the Compensation Committee approved a 5% base salary increase in 2013. Mr. Chang s base salary comprised approximately 52% of his total direct compensation in 2013.

Mr. Fredin s 2012 base salary was approximately 16% below the median base salary for the U.S. peer group in the same period. Based on such market data and the Compensation Committee s review as described above, the Compensation Committee approved a 9% base salary increase in 2013. Mr. Fredin s base salary comprised approximately 52% of his total direct compensation in 2013.

Mr. Sjöbring s 2012 base salary was approximately 12% below the median base salary for the Swedish peer group in the same period. Based on such market data and the Compensation Committee s review as described above, the Compensation Committee approved a 6% base salary increase in 2013. Mr. Sjöbring s base salary comprised approximately 54% of his total direct compensation in 2013.

2013 Annual Non-Equity Incentive Awards and Total Target Cash Compensation

Our named executive officers have an opportunity to earn an annual non-equity incentive award based upon the Company s operating income. Target amounts are reflected as a percentage of each executive s base salary. In addition to the 2012 total direct compensation levels discussed above, in determining the target annual non-equity incentive opportunities for the named executive officers, the Compensation Committee also considered (i) the total target cash compensation (base salary plus target annual non-equity incentive award) of each named executive officer compared to the median of the relevant market data in 2012, and (ii) the percentage of total direct compensation comprised of the target annual non-equity incentive compensation in 2013, each of which is summarized below.

Mr. Carlson s 2012 total target cash compensation was 4% below the median total target cash compensation of the Swedish peer group in the same period. Mr. Carlson s target annual non-equity incentive award for 2013 comprised approximately 28% of his total direct compensation in 2013.

Mr. Wallin s 2012 total target cash compensation was 9% below the median total target cash compensation of the Swedish peer group in the same period. Mr. Wallin s target annual non-equity incentive award for 2013 comprised approximately 19% of his total direct compensation in 2013.

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Mr. Chang s 2012 total target cash compensation was 31% above the median total target cash compensation reflected in the Shanghai market data in the same period. Mr. Chang s target annual non-equity incentive award for 2013 comprised approximately 23% of his total direct compensation in 2013.

Mr. Fredin s 2012 total target cash compensation was 34% below the median total target cash compensation of the U.S. peer group in the same period. Mr. Fredin s target annual non-equity incentive award for 2013 comprised approximately 23% of his total direct compensation in 2013.

Mr. Sjöbring s 2012 total target cash compensation was 7% below the median total target cash compensation of the Swedish peer group in the same period. Mr. Sjöbring s target annual non-equity incentive award for 2013 comprised approximately 19% of his total direct compensation in 2013.

Based in part on its review of the relevant market data (including 2012 total direct compensation levels), and in part on the individual performance of each named executive officer, information provided by the Vice President, Human Resources, and the recommendations of the CEO with respect to the target amounts for the named executive officers other than himself, the Compensation Committee determined not to make any changes to the target annual non-equity incentive opportunities for any of the named executive officers for 2013. The target annual non-equity incentive opportunity for each of the named executive officers is set forth on page 34 of this Proxy Statement.

The Company s 2013 operating income was approximately 7.94% above the 2012 operating income; accordingly, each named executive officer received a slightly above-target level annual non-equity incentive award.

Discretionary Bonus. In light of the exceptional legal demands of the Company s various ongoing antitrust investigations and related matters, the Company paid Mr. Sjöbring a $76,093 discretionary bonus in 2013.

2013 Equity Incentive Awards

Equity incentive awards in the form of stock options and restricted stock units are an important component of our named executive officers total direct compensation. In addition to reviewing the 2012 total direct compensation levels discussed above to determine the assumed value of equity incentive awards to grant to each of the named executive officers in 2013, the Compensation Committee also considered the percentage of total direct compensation comprised of the assumed value of the executive s equity incentive awards, as summarized below. Based on its review, the Compensation Committee decided to increase LTI values in 2013 by approximately 25%. The assumed value of Mr. Carlson s 2013 equity award comprised approximately 24% of his total direct compensation in 2013.

The assumed value of Mr. Wallin s 2013 equity award comprised approximately 27% of his total direct compensation in 2013.

The assumed value of Mr. Chang s 2013 equity award comprised approximately 25% of his total direct compensation in 2013.

The assumed value of Mr. Fredin s 2013 equity award comprised approximately 25% of his total direct compensation in 2013.

The assumed value of Mr. Sjöbring s 2013 equity award comprised approximately 27% of his total direct compensation in 2013.

The assumed value of the equity awarded to the named executive officers is discussed on page 28, under the heading How We Value Equity Awards, and the amounts are set forth on page 39 of this Proxy Statement.

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On February 13, 2014, the Company corrected an administrative error in the exercise price of the options granted to certain employees, including the named executive officers, in February 2013, none of which had been exercised at the time of the correction. The administrative error related to the use of the closing price of the Company s common stock on the day prior to the grant date, rather than the closing price on the grant date in accordance with the Company s 1997 Plan. The error was identified by the Company and immediately corrected.

2013 Additional Benefits

The Company s executive compensation program also includes certain retirement benefits (see page 40 of this Proxy Statement) and certain other items of compensation, such as a company car. Based on the advice from Towers Watson, the Compensation Committee believes these benefits are appropriate for each of our named executive officers. As discussed above, the Compensation Committee includes the value of the Company s contribution to the executive s defined contribution plan in its review of the executive s total compensation.

Compensation Philosophy and Overview

The Company believes that to achieve its strategic and financial objectives, it is necessary to attract, motivate and retain above-average management talent. In addition, total compensation offered to our executive management should ideally be based on local markets yet provide a shared responsibility for overall Company results which is aligned with the interests of the Company s stockholders. Our compensation strategy is therefore based on principles of performance, competitiveness and fairness. In furtherance of these objectives, the Company sought a balanced distribution of fixed and variable incentive compensation elements over time by using several components of compensation. The Company believes that such a balanced compensation structure focuses our executive officers on long-term stockholder value while providing fewer incentives for undue risk in the short-term.

We also consider the competitive environment where our significant operations and markets are located in order to provide a compensation package that optimizes value to the participant and cost to the Company. The Compensation Committee and management believe that it is their responsibility to use discretion and make informed judgments as to individual compensation packages or pay levels that may occasionally deviate above or below our target pay strategy based on such factors as:

- Individual performance and potential relative to market.
- Long-term succession planning and talent management.
- Business conditions in our industry or the market overall as well as business or regulatory conditions in the executive s area of responsibility.
- Cases where individuals are asked to step into new roles and responsibilities for specific projects or strategic initiatives.

To meet our compensation philosophy, the compensation programs we provide have the following objectives:

OBJECTIVES

Objective A	Offer total compensation and benefits sufficient to attract, motivate and retain the management talent necessary to ensure the Company s continued success.
Objective B	Align the interests of the executives and the stockholders.
Objective C	Reward performance in a given year and/or over a sustained period using straightforward programs to communicate our performance expectations.

Objective D	Encourage company-wide cooperation among members of the executive, regional and business unit management teams and throughout the Company.

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Key Elements of Executive Compensation Program

With these objectives in mind, our Compensation Committee has built an executive compensation program within a framework that includes three principal compensation components: base salary, annual non-equity incentives, and equity incentives pursuant to our long-term stock incentive program. The Company s compensation program also includes retirement benefits and additional contractual arrangements to clarify the Company s and the executive s obligations under separation events such as a termination of employment or change in control of the Company.

The following tables summarize each of these programs, including how we establish and administer the compensation, benefits and executive programs and agreements. The Company generally sets cash-based compensation (including for all of our named executive officers) in the local currency of the country of service. Accordingly, the Company set compensation in Swedish kronor (SEK) for Messrs. Carlson, Sjöbring and Wallin, in U.S. dollars (USD) for Mr. Fredin and in Chinese Yuan Renminbi (CNY) for Mr. Chang. The exchange rate trend of the U.S. dollar impacts the U.S. dollar amounts of compensation reported in this Proxy Statement. For ease of reference, we use the following exchange rates throughout this Proxy Statement: 1 USD = 6.5709 SEK = 6.0938 CNY. The rates used represent the exchange rate as of November 29, 2013. For historic numbers, we have converted the compensation paid in prior years by the same exchange rate in order to facilitate comparison. Thus, while the historic amounts paid do not change, due to fluctuations in exchange rates, amounts reflecting historic figures in this Proxy Statement may differ significantly from disclosure in previous years.

We also note that the exchange rate prevailing at the time of the Compensation Committee s review of compensation levels (generally this occurs in the December prior to the year in which the compensation is paid) may vary, compared to the exchange rates prevailing at the time this Proxy Statement is filed (generally the proxy statement is prepared early in the year following the year in whi