

Remuneration Report 2022 I.A.R. Systems Group AB (publ)

Introduction

This report describes how the guidelines for remuneration to senior executives of I.A.R. Systems Group AB, adopted by the 2022 Annual General Meeting, were applied during 2022. The report also contains information on remuneration to the President and a summary of the company's outstanding share-related incentive programs. The report has been prepared in accordance with the Swedish Companies Act and the Swedish Corporate Governance Board *Rules on remuneration to senior executives and incentive programs*.

Further information on remuneration to senior executives can be found in Note 6 (Personnel costs) on pages 52-55 in the annual report for 2022. Information on the remuneration committee's work in 2022 can be found in the corporate governance report on pages 74-78 in the annual report for 2022. Board fees are not covered by this report. Such fees are decided annually by the Annual General Meeting and are reported in Note 6 on page 53 of the Annual Report for 2022.

Developments in 2022

The Board of Directors and the President summarize the company's overall results in their report on pages 25-31 in the 2022 annual report.

The company's remuneration guidelines, scope, purposes and deviations

A prerequisite for the successful implementation of the company's business strategy and the safeguarding of its long-term interests, including its sustainability, is that the company can recruit and retain qualified employees. This requires that the company can offer competitive remuneration. The company's remuneration guidelines enable senior executives to receive competitive remuneration. According to the remuneration guidelines, remuneration to senior executives must be market-based and may consist of the following components: fixed monthly salary, variable cash remuneration, pension benefits and other benefits. The variable cash compensation must be linked to financial or non-financial criteria. They can consist of individualized quantitative or qualitative goals. The requirements must be designed to promote the company's business strategy and long-term interests, including its sustainability, by, for example, having a clear connection to the business strategy or promoting the executive's long-term development.

The guidelines are summarized on page 77 in the annual report for 2022 and in their entirety on the company's website <https://www.iar.com/investors/corporate-governance/remuneration/>. In 2022, as part of the agreement regarding pension levels with the CEO, who took office in 2021, the Board exercised its mandate to deviate from the guidelines for remuneration to senior executives. The guidelines state that pension is to be calculated with a retirement age of 62. Instead, IAR is transitioning to an occupational pension, whereby the retirement age does not impact the monthly contribution amount, but rather an estimate is made of the contribution until the person turns 65.

The auditor's opinion on the company's compliance with the guidelines is available at <https://www.iar.com/investors/corporate-governance/>.

No compensation has been claimed back.

In addition to the remuneration covered by the remuneration guidelines, the company's general meetings have decided to introduce long-term share-based incentive programs.

Table 1 - Total remuneration to the CEO during 2022 (kSEK) ^(a)

Name of executive (position)	1		2		3	4	5	6
	Fixed remuneration Basic salary (b)	Other benefits (c)	Variable remuneration Single-year	Multi-year (d)				
Richard Lind (CEO)	2 688	21	0	0	0	762	3 470	Percentage of fixed or variable remuneration ***** 100,0/0,0

(a) Except for multi-year variable remuneration, the table reports remuneration amounting to 2021. Multi-year remuneration is reported to the extent that it has been the subject of so-called vesting in 2022 and in that sense has been earned.

(b) Including holiday pay

(c) Car benefit, meal benefit and health care benefit

(d) Earned warrants as shown in column 10 in Table 2 below

(e) Pension costs (column 4), which in their entirety refer to Basic Salary and are defined-contribution, have been fully reported as fixed remuneration

Share-based compensation

Outstanding share-based incentive programs

The company has one outstanding incentive program where the CEO participates, LTI 2022, which was introduced in 2022. This includes 140 employees, divided in into four groups in Sweden and abroad at different levels. The program covers 140 000 restricted stock units (RSU). The final number of RSUs that each participant is entitled to exercise under this program is dependent on the degree of satisfaction with performance conditions for the IAR Group. The performance conditions are based on the average annual growth of the IAR Group net sales and operating margin for the IAR Group for financial years 2022, 2023 and 2024. Each RSU gives the right to receive one share from series B shares in the company.

Table 2 - RSUs (CEO)

Name of executive (position)	Principal terms and conditions for the share warrant programs							Information for the reported financial year					
	1	2	3	4	5	6	7	Opening balance	9	10	Closing balance		
	Program name	Performance period	Date of allocation	Vesting period	End of lock-in period	Period of utilization	Subscription price (SEK)	RSUs at the beginning of the year	Assigned RSUs	Vested RSUs	RSUs subject to performance conditions	Assigned RSUs that have not been vested	RSUs subject to lock-in period
Richard Lind (CEO)	LTI 2022	2022-2024	Nov 2022	Sept 2022-Aug 2025	N/A	2025/2026	N/A	0	10 000	0	10 000	10 000	N/A

Application of performance conditions

The performance criteria for the former CEO's variable remuneration have been chosen to realize the company's strategy and encourage actions in the company's long-term interest. When selecting performance criteria, the strategic goals as well as short- and long-term business priorities for the year 2022 have been taken into

account. In connection with the dismissal of the previous CEO in 2021, the right to variable remuneration expired. The new CEO did not have a variable remuneration component for 2021 or 2022, of which table "The CEO's performance during the reported financial year: variable cash compensation" is deleted from this report.

Table 3 - Performance of the CEO during the reported financial year: Warrant program

Name of executive (position)	Program name	1 Description of criteria attributable to the compensation component	2 Relative weighting of performance criteria	a) b)	3 measured performance; and actual allocation/compensation outcome
Richard Lind (CEO)	LTI 2022	The IAR Group's growth in net sales 2022 and operating margin for 2022	33%	a)	Growth in net sales: 8,6 %
				b)	Operating margin: 18,0 %
					Assessed to be determined Q4 2025
		The IAR Group's growth in net sales 2023 and operating margin for 2023	33%	N/A	
		The IAR Group's growth in net sales 2024 and operating margin for 2024	33%	N/A	

Table 4 - Changes in CEO remuneration and the company remuneration during the last two reported financial years (P/L) (kSEK)

	P/L vs P/L-1	P/L 2022
Remuneration to the CEO	-868 (-24,4%)	2 688
The Group's operating profit	144 136 (190,5%)	75 668
Average remuneration based on full-time equivalents of employees * in the Group	-28 (-3,2%)	920

* Excluding members of Group Management

Stockholm March 2023
I.A.R. Systems Group AB (publ)
Board of Directors