

Documents for the AGM  
**I.A.R. Systems Group AB**

## **Agenda**

for the Annual General Meeting (AGM) of shareholders in I.A.R. Systems Group AB (publ) at 6:00 p.m. on Wednesday, April 29, 2020, at Spårvagnshallarna, Birger Jarlsgatan 57 A, Stockholm, Sweden.

### **Proposed agenda**

1. Opening of the AGM.
2. Election of the Chairman of the AGM.
3. Preparation and approval of the voting list.
4. Approval of the agenda.
5. Election of one or two persons to check and sign the minutes.
6. Decision as to whether the AGM has been duly convened.
7. Address by the CEO.
8. Presentation of the annual accounts, the auditor's report, the consolidated financial statements and the consolidated auditor's report.
9. Resolutions on:
  - a. adoption of the income statements and balance sheets of the Parent Company and the Group,
  - b. appropriation of the company's profits according to the adopted balance sheet, and
  - c. discharge from liability for the members of the Board of Directors and the CEO.
10. Resolution on the number of Board members and deputies.
11. Resolution on fees to be paid to the Board of Directors and auditors.
12. Election of Board members and the Board Chairman.
13. Election of auditors.
14. Resolution on amendment to the Articles of Association.
15. Resolution on the appointment of the nominating committee.
16. Resolution on principles for remuneration of senior executives.
17. Resolution on the authorization for the Board to decide on the issue of new shares.
18. Resolution on the authorization for the Board to decide on the repurchase and transfer of treasury shares.
19. Other business to be addressed by the AGM according to the Swedish Companies Act (2005:551) or the Articles of Association.
20. Adjournment of the AGM.

**Proposals for resolution to be put before the AGM of  
I.A.R. Systems Group AB (publ) on April 29, 2020**

The below proposals for resolution and information follow the numbering stated in the proposed agenda.

**Election of the Chairman of the AGM (item 2)**

The nominating committee – comprising Jonas Eixmann (Chairman of the nominating committee), appointed by Andra AP-fonden, Malin Björkmo, appointed by Handelsbanken Fonder, and Jonas Wikström, appointed by Stefan Skarin – proposes that Board Chairman Maria Wasing be elected as Chairman of the AGM.

**Resolution on the appropriation of the company's profits according to the adopted balance sheet (item 9 b)**

The board proposes that no resolution regarding the dividend will be made at the annual general meeting. The Board intends to provide a notice of an extraordinary general meeting to be held in November 2020 at the latest for resolution on the issue.

**Resolution on the number of Board members and deputies (item 10)**

The nominating committee proposes that the Board consist of five members and no deputies.

**Resolution on fees to be paid to the Board of Directors and auditors (item 11)**

The nominating committee proposes that Board fees be paid in an amount of SEK 1,120,000, of which SEK 400,000 to the Board Chairman and SEK 180,000 to each of the non-executive Board members. It is proposed that fees to the auditors be paid according to approved invoices.

**Election of Board members and the Board Chairman (item 12)**

The nominating committee proposes that Maria Wasing, Michael Ingelög, Richard Lind, Kent Sander and Fred Wikström be re-elected as Board members. The nominating committee proposes that Maria Wasing be re-elected as Board Chairman.

**Election of auditors (item 13)**

The nominating committee proposes the re-election of Deloitte AB as the company's auditor for a period of one year, with Andreas Frountzos as Auditor in Charge. The nominating committee's proposal has been approved by the Board's audit committee.

**Resolution on amendment to the Articles of Association (item 14)**

The Board of Directors proposes that the AGM resolve on the following amendments to the Articles of Association.

Article 8 of the Articles of Association be changed to the following wording:

“Notice of a general meeting is to be given through an announcement in the official gazette Post- och Inrikes Tidningar and on the company's website. An announcement stating that notice has been given is to be published in Svenska Dagbladet.

Shareholders wishing to participate in the business of a General Meeting shall notify the Company not later than the date specified in the notice convening the Meeting. This day must not be Sunday, any other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and not fall earlier than the fifth weekday before the Meeting.

Shareholders are entitled to be accompanied by one or two assistants, but only if the shareholder notifies the Company of this in the manner stated in the paragraph above.”

Article 9 of the Articles of Association be changed to the following wording:

“The Annual General Meeting shall be held annually within six months following the close of the financial year.

The following matters are to be addressed at the Annual General Meeting:

1. Election of the Chairman of the AGM.
2. Preparation and approval of the voting list.
3. Approval of the agenda.
4. Election of one or two persons to check and sign the minutes.
5. Decision as to whether the AGM has been duly convened.
6. Presentation of the annual accounts, the auditor's report and, where applicable, the consolidated financial statements and the consolidated auditor's report.
7. Matters regarding:
  - a. adoption of the income statement and balance sheet and, where applicable, the consolidated income statement and consolidated balance sheet,
  - b. appropriation of the company's profits or losses according to the adopted balance sheet,
  - c. discharge from liability for the members of the Board of Directors and the CEO, if one has been appointed.
8. Adoption of fees to be paid to the Board of Directors and, where applicable, auditors.
9. Adoption of the number of Board members and deputies.
10. Election of Board members and deputies and, where applicable, auditors and deputy auditors.
11. Other business to be addressed by the AGM according to the Swedish Companies Act (2005:551) or the Articles of Association."

**Resolution on the appointment of the nominating committee (item 15)**

The nominating committee proposes that the AGM resolve to appoint a nominating committee in accordance with the following principles. Not later than September 30, 2020, the Board of Directors is to convene a meeting of the three largest shareholders or known shareholder groups in the company in terms of voting power, which in turn are entitled to appoint at least three members to the nominating committee, one from each of the largest shareholders or shareholder groups in terms of voting power. If any of the three largest shareholders or known shareholder groups waives the right to appoint a member to the nominating committee, the next-largest shareholder or known shareholder group is to be given the opportunity to appoint a member to the nominating committee. In addition, the Chairman of the Board may be appointed to the nominating committee. The CEO and other members of executive management may not serve as a member of the nominating committee. The Chairman of the Board is responsible for convening the initial meeting of the nominating committee. A shareholder representative is to be appointed Chairman of the nominating committee. The nominating committee is to serve for a term ending when a new nominating committee has been appointed. The composition of the nominating committee is to be made public not later than six months prior to the 2021 AGM.

The nominating committee is to be appointed based on known shareholdings in the company at August 31, 2020. If significant changes in the ownership structure occur after the nominating committee has been appointed, the composition of the nominating committee may also be changed in accordance with the principles set forth above. Changes in the nominating committee are to be publicized immediately.

The nominating committee is responsible for preparing and submitting proposals to the AGM for resolution regarding: the election of the Chairman of the Board and other Board members; Board fees allocated between the Chairman and other Board members; remuneration, if applicable, for service on Board committees; election of the auditor and fees to the auditor; principles for the appointment of the nominating committee; and the election of the Chairman of the AGM.

The members of the nominating committee are not to be paid a fee for their services. Upon approval by the Chairman of the Board, the nominating committee is entitled to charge the company for costs, such as for recruitment consultants or other costs necessary for the nominating committee to perform its duties.

## **Resolution on principles for remuneration of senior executives (item 16)**

### *Guidelines for remuneration of senior executives*

The proposal for guidelines for remuneration to senior executives, which is hereby presented to the Annual General Meeting on April 29, 2020, has been adjusted in relation to the proposal presented at the Annual General Meeting 2019. The adjustments have been made as a result of new legislation aimed at increasing transparency in respect of remuneration.

The Board of Directors proposes that the AGM resolves to adopt the following guidelines for remuneration of senior executives.

"Senior executives" refers to CEO, CFO, COO, CSO and CEO of Secure Thingz. The remuneration principles also apply to Board members to the extent that they receive remuneration outside the scope of their Board assignment. The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed after adoption of the guidelines by the AGM 2020. These guidelines do not apply to any remuneration that is decided on or approved by the general meeting.

### *Promotion of IAR Systems' business strategy, long-term interests and sustainability*

IAR Systems' mission is to bring value to organizations that develop products for embedded systems. To achieve its targets, IAR Systems' strategy includes to offer customer value through user-friendliness, reliability and quality, to develop technologically leading software for embedded systems, to deepen relationships with existing customers by gradually expanding its range of products and services, to expand its customer base through an increased local presence worldwide and to actively establish close cooperation with the most important players in the market to create long-term customer value and a unique market position.

A condition for the successful implementation of I.A.R. Systems Group's business strategy and its long-term interests, including its sustainability, is that IAR Systems is able to continue to recruit and retain qualified employees, the basic principle being that the remuneration system for the CEO, senior executives and other employees is market-based and competitive. These guidelines enable I.A.R. Systems Group to offer the senior executives a competitive total remuneration.

I.A.R. Systems Group has ongoing long-term incentive programs in place that have been resolved by the AGM and which therefore are excluded from these guidelines. The performance criteria used to determine the outcome of I.A.R. Systems Group's long-term incentive programs have a close connection with the long-term value-making, including its sustainability. These performance criteria are currently related to the average growth of the group's net sales over a three-year period. The programs are further conditional upon the participant's own investment and certain holding periods of three years. For more information about the programs, please see I.A.R. Systems Group AB's Annual Report, Note 6.

### *Types of remuneration etc.*

Remuneration of senior executives may consist of fixed salary, variable salary, pension and other customary benefits. Additionally, the general meeting may, irrespective of these guidelines, resolve on, among other things, share-related or share-price related remuneration.

#### Fixed salary

Fixed salary shall be market-based and individually differentiated on the basis of the individual's role, performance, results and responsibilities. As a rule, fixed salary is adjusted once a year.

### Variable salary

Variable salary shall be proportionate to the responsibilities and powers of the individual in question. Variable salary is based on the attainment of predetermined performance targets in the areas of profit and sales, such as growth (Net Sales Growth) and earnings before interest and tax (EBIT) and "soft" individual goals linked to strategical and/or functional targets individually adjusted on the basis of responsibility and function. These targets shall be designed so as to contribute to IAR's business strategy and long-term interests, including its sustainability. The amount of variable salary is based on the employees' fulfillment of these goals. The variable salary may not exceed 50 percent of the annual fixed salary.

The evaluation of whether the predetermined performance targets have been fulfilled shall be made at the end of the measurement period and be based on the determined financial basis for the relevant period.

Variable cash remuneration can be paid after the measurement period has ended or be subject to deferred payment.

### Pension & other benefits

The CEO is covered by a pension plan corresponding to the cost of the ITP plan, but with a retirement age of 60, which raises the premium compared with a retirement age of 65. Other employees are covered by a pension plan corresponding to the cost of the ITP plan.

Other benefits may include, for example medical insurance (Sw. sjukvårdsförsäkring), phone benefits, meal benefits and company car and shall be provided to the extent this is considered to be in line with market conditions.

### Termination

If the employment is terminated by the company, senior executives are entitled to termination benefits at unchanged terms and conditions over a period of 12 months in addition to non-pensionable severance pay of six months' salaries. For senior executives, the notice period is six months.

### Consulting fees to Board members

In the event that Board members perform work over and above their customary Board assignment, the Board shall, in specific cases, be able to decide on additional remuneration in the form of consulting fees.

### *Salary and employment conditions for employees*

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information regarding the employee's total income, the components of the remuneration and the increase and growth rate over time, in the remuneration committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

### *Remuneration committee*

The Board's remuneration committee, consisting of four Board members including the Chairman of the Board, who also serves as the Chairman of the remuneration committee, addresses and prepares remuneration issues relating to senior executives.

The remuneration committee prepares and drafts proposed resolutions relating to remuneration and terms and conditions of employment for the CEO, which are presented to the Board for approval. The Board evaluates the CEO's work on an annual basis.

The CEO approves the remuneration and terms and conditions of employment of other senior executives on the basis of the principles for remuneration of senior executives adopted at the AGM.

The remuneration committee's tasks also include preparing the Board of Directors' decision to propose guidelines for remuneration of senior executives. The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. These guidelines shall be in force until new guidelines are adopted by the general meeting. The remuneration committee shall also monitor and evaluate programs for variable remuneration as well as the current remuneration structures and compensation levels in IAR Systems. The CEO and other senior executives do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

#### *Deviation from the guidelines*

The Board of Directors has the right to temporarily deviate from these guidelines where there is special reason to do so and it is necessary in order to serve I.A.R. Systems Group's long-term interests, including its sustainability, or to ensure I.A.R. Systems Group's financial viability, for example, in connection with additional variable remuneration connected to specific achievements.

#### **Authorization for the Board to decide on the issue of new shares (item 17)**

The Board of Directors proposes that the AGM authorize the Board, on one or several occasions during the period until the next AGM, either applying or disapplying the shareholders' preemptive rights, to decide on the issue of new shares and/or convertibles entailing the issue of, or conversion to, a maximum total of 1,400,000 class B shares, corresponding to a dilution effect of approximately 10.0% of the share capital and about 9.4% of the number of votes based on the current number of shares in the company.

The motive for the authorization and any disapplication of the shareholders' preemptive rights is to enable issues to be conducted in a timely manner in order to finance acquisitions or investments in new or existing operations. In the event that the shareholders' preemptive rights are disappplied, issues of new shares and issues of convertibles supported by this authorization are to be conducted at market price in accordance with the market conditions prevailing on the date on which the shares and/or convertibles are issued. Payment for subscribed shares and/or convertibles is to be made in cash, through non-cash consideration or in the form offsetting.

For the AGM's resolution to be valid, the resolution must be supported by shareholders representing at least two-thirds of both the number of votes cast and the number of shares represented at the AGM.

#### **Authorization for the Board to decide on the repurchase and transfer of treasury shares (item 18)**

The Board of Directors proposes that the AGM authorize the Board, on one or several occasions during the period until the next AGM, to decide on the purchase of a maximum number of class B shares whereby the holding of treasury shares at no time exceeds 10% of all registered shares in the company. The shares are to be acquired on Nasdaq Stockholm at a price that is within the registered price interval at any given time, defined as the interval between the highest bid price and the lowest ask price. The motive for the authorization is to give the Board greater freedom of action in optimizing the company's capital structure.

It is furthermore proposed that the Board be authorized, on one or several occasions during the period until the next AGM, to decide on the transfer of, at most, all class B treasury shares held by the company at any given time (i) on Nasdaq Stockholm or (ii) in a manner other than a transfer on a regulated market, whereby the Board shall be able to decide on the transfer of shares for payment in cash disapplying the shareholders' preemptive rights or as consideration for the acquisition of companies or operations. The transfer of shares on a regulated market may take place only at a price that is within the registered price interval at any given time. The transfer of shares in a manner other than through a transfer on a regulated market disapplying the shareholders' preemptive rights, or as consideration for the acquisition of companies or operations, may take place only at a price corresponding to the prevailing market value at the time of each issue. The motive for the authorization is to give the Board greater freedom of action and

scope to continuously adapt the company's capital structure as well as the opportunity to finance future acquisitions. The motive for authorizing the Board, in connection with the transfer of shares in a manner other than through a transfer on a regulated market, to decide on the transfer of shares disapplying the shareholders' preemptive rights is that the company can thereby dispose of the shares in a more timely manner in the event that the liquidity of the company's share on the regulated market is limited on the date of transfer.

For the AGM's resolutions to be valid, the resolutions must be supported by shareholders representing at least two-thirds of both the number of votes cast and the number of shares represented at the AGM.

#### Other

The annual report, the auditor's opinion on the application of the guidelines for remuneration of senior executives, the complete proposals of the Board and the nominating committee as set out above, including related documents under the Swedish Companies Act (2005:551), and a proxy form will be available from the company at Strandbodgatan 1, Uppsala, or Kungsgatan 33, Stockholm, and on the company's website [www.iar.com/investors](http://www.iar.com/investors). Copies of the documents will be sent free of charge to shareholders who so request and who provide their mailing address, and will also be available at the AGM.

Pursuant to Chapter 7, Section 32 of the Swedish Companies Act (2005:551), shareholders have the right at the AGM to question the Board of Directors and CEO about circumstances that may affect the conditions of the agenda and conditions that may affect the company's financial situation.

As of March 30, 2020, the company had a total of 13,968,333 shares, comprising 100,000 class A shares, 13,533,475 class B shares and 334,858 class C shares, corresponding to a total of 14,868.333 votes. The company currently holds 334,858 class C shares.

Stockholm, March 2020

I.A.R. SYSTEMS GROUP AB (PUBL)  
Board of Directors



**Statement by the Board of Directors pursuant to Chapter 18, Section 4 and Chapter 19, Section 22 of the Swedish Companies Act in respect of the proposals regarding dividends and authorization for the Board to decide on the repurchase of shares**

**Nature, scope and risks of the business**

The nature and scope of the business are set out in the Articles of Association and the filed annual report for the 2019 financial year. The Board of Directors' assessment is that the business conducted by the Group is not associated with any risks beyond those that exist in the industry or those that are applicable to business activities in general.

**Consolidation requirements, liquidity and financial position**

The financial position of the company and the Group at December 31, 2019 is described in the most recent annual report. The annual report also states which accounting policies have been applied in the valuation of assets, provisions and liabilities.

The Board of Directors has proposed to the AGM that the company's funds available for distribution are balanced in a new account. The Board intends to provide a notice of an extraordinary general meeting to be held in November 2020 at the latest to take a stand regarding dividend for the financial year of 2019. Non-restricted equity in the Parent Company and the Group at the end of the 2019 financial year was SEK 372.4 million and retained earnings in the Group on the same date amounted to SEK 452.3 million.

Among other information provided, the annual report states that the Group's equity/assets ratio is 72%. The authorization for the repurchase of treasury shares will not jeopardize the fulfillment of the investments that are deemed necessary.

According to the Board's assessment, the company has a comparatively high level of equity in relation to the scope of the company's business and the risks associated therewith. Furthermore, the Board of Directors finds that the company has available cash and cash equivalents of approximately SEK 261 million. The company is assessed to have substantial non-restricted equity.

**Justifiability of the repurchase proposal**

In light of the above, the Board of Directors' assessment is that any purchases of shares in the company are justifiable in respect of the requirements imposed by the nature, scope and risks of the business with respect to the size of equity in the company and the Group and the consolidation requirements, liquidity and financial position in general of the company and the Group.

Stockholm, March 2020

I.A.R. Systems Group AB (publ)

Board of Directors