

Remuneration Report 2020 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 2020 Annual General Meeting, was applied during 2020. 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 on incentive programs.

Further information on remuneration to senior executives can be found in Note 6 (Personnel costs) on pages 68-71 in the annual report for 2020. Information on the remuneration committee's work in 2020 can be found in the corporate governance report on pages 85-89 in the annual report for 2020. 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 69 in the Annual Report for 2020.

Developments in 2020

The Board of Directors and the President summarize the company's overall results in their report on pages 46-50 in the 2020 annual report.

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

A prerequisite for a 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 be offered a competitive total 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 criteria must be designed so that they 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 pages 87-88 in the annual report for 2020 and in their entirety on the company's website <https://www.iar.com/investors/corporate-governance/remuneration/>. In 2020, the company followed the applicable remuneration guidelines adopted by the Annual General Meeting. The Board has the right to deviate from the above guidelines if the Board deems that in an individual case there are special reasons that justify it. On the CEO's own initiative, no variable remuneration for 2020 will be paid to the CEO or other senior executives. In addition, the CEO's retirement age has been adjusted to 62 (60) years.

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 2020 (kSEK) *

Name of executive (position)	1 Fixed remuneration		2 Variable remuneration		3 Extraordinary items	4 Pension cost	5 Total remuneration	6 Percentage of fixed or variable remuneration *****
	Basic salary **	Other benefits ***	Single- year	Multi-year ****				
Stefan Skarin (CEO)	3 489	174	0	5	0	467	4 135	99,9/0,1

* With the exception of Multi-year variable remuneration, the table reports remuneration amounting to the year 2020. Multi-year remuneration is reported to the extent that it has been the subject of so-called vesting in 2020 and in that sense has been earned.

** Including holiday pay of 249 kSEK

*** Car benefit, meal benefit and health care benefit

**** Earned warrants as shown in column 10 in Table 2 below

***** 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 introduced two option programs (LTIP2018 and LTIP2019) for all employees. In total, the programs comprised 1,132,500 options. A total of 915,500 options were acquired or granted, of which 497,500 options within LTIP 2018 and 418,000 options within LTIP 2019. The incentive programs consist of two different types of options, share warrants and stock options. The share warrants are intended for employees in Sweden and the stock options are intended for employees outside Sweden. The final number of options that each participant is entitled to exercise depends on the degree of fulfilment of performance conditions for the Group. The performance terms are based on the average annual growth of the Group's net sales for the financial years 2018, 2019 and 2020 for LTIP 2018 and the financial years 2019, 2020 and 2021 for LTIP 2019, respectively.

LTIP 2018

For the share warrants, a premium of SEK 16.30 per option was paid. The options, which give the right to subscribe or alternatively acquire a Series B share in the company during the period 20 August to 17 September 2021, have a subscription price of SEK 323.90 and an acquisition price of SEK 330.00.

LTIP 2019

For the share warrants, a premium of SEK 11.17 per option was paid. The options, which give the right to subscribe or alternatively acquire a Series B share in the company during the period 1 May to 31 May 2022, have a both have a subscription price and acquisition price of SEK 347.70.

Table 2 - Warrant program (CEO)

Name of executive (position)	Main terms and conditions for the share warrant programs							Information for the reported financial year					
	1	2	3	4	5	6	7	8	9	10	Closing balance		
											11	12	13
	Program name	Performance period	Date of allocation	Vesting period	End of lock-in period	Period of utilization	Subscription price (SEK)	TO at the beginning of the year	Assigned TO	Vested TO	TO subject to performance conditions	Assigned TO that has not been vested	TO subject to lock-in period
Stefan Skarin (VD)	LTIP2018	2018-2020	Sept 2018	Sept 2018-Aug 2021	20/8 2021*	20/8 2021-17/9 2021	323,90	6 556	0	16 667	-16 667	11 111	6 556
	LTIP2019	2019-2021	Did not participate	-	-	-	-	-	-	-	-	-	-

Application of performance conditions

The performance criteria for the CEO's variable remuneration have been chosen to realize the company's strategy and to encourage actions that are 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 2020 have been taken into account.

Table 3 (a) - Performance of the President during the reported financial year: Variable remuneration

Name of executive (position)	1 Description of criteria attributable to the compensation component	2 Relative weighting of performance criteria	3 measured performance; and actual allocation / compensation outcome	
			a) b)	
Stefan Skarin (CEO)	The Group's net sales 2020	40 %	a)	133 kSEK
			b)	0 kSEK
	The Group's operating profit 2020	40 %	a)	128 kSEK
			b)	0 kSEK
	The Group's net cash excluding leasing agreements 2020-12-31	20 %	a)	324 kSEK
			b)	0 kSEK

Table 3 (b) - 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	3 measured performance; and actual allocation / compensation outcome	
				a) b)	
Stefan Skarin (CEO)	LTIP2018	The Group's growth in net sales 2020	100%	a)	5 kSEK
				b)	0 kSEK

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 2020
Remuneration to the CEO	72 (+1,9%)	3 886
The Group's operating profit	-24 566 (-22,6%)	83 822
Average remuneration based on full-time equivalents of employees * in the Group	4 (+0,4)	868

* Excluding members of Group Management

Stockholm March 2021
I.A.R. Systems Group AB (publ)
Board of Directors