

Remuneration report

This Remuneration Report describes how the guidelines for the Remuneration of senior executives established by the 2021 Annual General Meeting were applied during the 2021 financial year. The Report also presents details of remunerations to the company's CEO and fees to Board Members in addition to the Board fees decided by the General Meeting. The report has been prepared in accordance with the Swedish Companies Act (2005:551) and the Swedish Code of Corporate Governance.

Further information on remuneration of senior executives required in accordance with ch. 5, Sections 40–44 of the Annual Accounts Act (1995:1554) can be found in Note 10. For more information about the Remuneration Committee's work during 2021, see the Corporate Governance Report, pages 44–51 in the company's

2021 Annual Report (“2021 Annual Report”). MilDef’s development

The company's development and significant events for the year are described, in for example, the presentation of the CEO on pages 6–7 in the 2021 Annual Report.

Board fees and consulting fees

Board fees are not covered by this report. Such fees are determined annually by the Annual General Meeting and are reported in Note 10 in the 2021 Annual Report. In 2021, Top Level AB, in which Board Member Berndt Grundevik is the majority owner, performed consulting assignments for MilDef totaling SEK 58 thousand. The services performed were aimed at leading the company's Advisory Board as well as providing other advice not considered to be covered by the Board assignment. It has been deemed important and beneficial for MilDef to use the services concerned, for which market-based payment has been made. The decision to procure the services was made without the involvement of Berndt Grundevik. Furthermore, and on corresponding terms, Trolle Management AB has performed consulting services for SEK 105 thousand for MilDef in connection with the preparation of the company's prospectus prior to the listing in June 2021.

MilDef's Remuneration Guidelines: scope, objectives and deviations

For the company's business strategy to be implemented successfully and to safeguard the company's long-term interests, including its sustainability, the company must be able to recruit and retain qualified employees. The goal of MilDef's guidelines for remuneration to senior executives is therefore to offer a competitive and market-based total remuneration, so that competent and skilled employees can be attracted, motivated and retained. These guidelines make it possible to offer senior executives competitive, market-based total remuneration. The total compensation consists of the following components:

- Fixed cash salary
- Short-term variable cash remuneration
- Pensions and other benefits

Short-term variable cash compensation must be linked to predetermined, well-defined and measurable financial criteria. The goals aim to promote MilDef's development in both the short and long term. The measurement period for variable remuneration

Total remuneration to the CEO during 2021 (TSEK) The compensation refers to expensed compensation during the year

Name of executive, position:	Fixed remuneration		Variable salary		Pension cost	Total remuneration	Proportion of fixed and variable remunerations	
	Basic salary*	Other benefits**	Short-term	Long-term			Fixed remuneration	Variable remuneration
Björn Karlsson,CEO:	1,963	4	-	-	123	2,090	100%	0%

*Including holiday pay of SEK 283 thousand.

**Refers to health insurance.

is based, as a general rule, on performance over a period of 12 months. The variable remuneration shall not exceed 35% of the fixed salary and shall, to the extent permitted by applicable law, not be pensionable or vesting holiday pay basis.

The criteria for short-term variable remuneration are divided into four different programs based on MilDef's net sales, gross profit, operating profit (EBITDA) and general cost savings. Variable remuneration can also be linked to individual criteria. The criteria shall be designed to further the company's business strategy and long-term interests, including its sustainability. The guidelines can be found on pages 52-53 in the Annual Report for 2021.

Other non-monetary benefits may include, for example, life insurance and healthcare insurance. Premiums and other costs relating to such benefits may amount to not more than 5% of the fixed annual cash salary.

In 2021, the company followed the applicable remuneration guidelines adopted by the Annual General Meeting. No deviations have been made from the decision-making process applied in determining remunerations in accordance with the guidelines. No requests have been made for the repayment of any remunerations. The auditors' opinion on the company's compliance with the guidelines is available on MilDef's website under Corporate Governance.

Share-related incentive program

At an extraordinary meeting of shareholders on April 29, 2021 an incentive program for the Group's employees was approved ("Incentive program 2021/2025") with warrants being issued conveying subsequent rights to subscribe for new shares in MilDef. With a decision being made at a General Meeting, these guidelines do not apply, although the guidelines should nonetheless be considered in spirit. The warrants have been transferred on market terms at a price (premium) that was established based on an estimated market value using the recognized Black & Scholes model. The calculation was carried out by an independent appraisal institution. For further information, see www.mildef.com.

Application of performance criteria

The CEO's performance criteria for 2021 are divided into four different parameters based on MilDef's net sales, gross profit, operating profit (EBITDA) and general cost savings. The performance criteria contribute to further adapting to sustainability and the company's values, although they are expressed in financial terms. Among other things, due to the prevailing component shortage in the global component market, the financial development of MilDef was below initial expectations and no variable remuneration was therefore paid to the CEO in financial year 2021.

Helsingborg, April 21, 2022

Board of Directors of MilDef Group AB (publ)