

# Remuneration Report

This Remuneration Report explains how the guidelines for remuneration of senior executives adopted by the Annual General Meeting 2022 have been applied during the 2022 financial year. The report also contains details concerning remuneration of the Company's CEO and fees to board members over and above the board fees adopted by the shareholders' meeting. The report has been prepared in accordance with the Swedish Companies Act (2005:551) and the Swedish Corporate Governance Code.

Additional information on remuneration of senior executives required pursuant to Chapter 5, Sections 40–44 of the Swedish Annual Accounts Act (1995:1554) can be found in Note 10. For more information on the work of the Remuneration Committee in 2022, see the Corporate Governance Report on pages 58–64 of the Company's Annual Report 2022.

## MilDef's development

The Company's development and significant events during the year are reported inter alia in the CEO's presentation on pages 6–7 of the Annual Report 2022.

## Board fees and consulting fees

This report does not cover board fees. A resolution on these fees is passed by the Annual General Meeting each year. The current fees are reported in Note 10 in the Annual Report 2022. In 2022 Top Level AB, in which board member Berndt Grundevik is the majority shareholder, carried out consulting assignments for MilDef for a total of SEK 226,000. The services provided consisted of leading the Company's Advisory Board and consultancy not considered to be covered by his role on the board. It was considered important and beneficial for MilDef to procure the services in question, which were compensated at market rates. The decision to procure these services was made without the involvement of Berndt Grundevik.

## MilDef's remuneration guidelines: scope, purpose and deviations

Successful implementation of the Company's business strategy and protection of the Company's long-term interests, including its sustainability, require the Company to be able to recruit and retain qualified employees. The objective of MilDef's guidelines for remuneration of senior executives is therefore to offer a competitive and market-based total remuneration package, so as to be able to attract, motivate and retain skilled and qualified employees. These guidelines make it possible to offer competitive market-based remuneration packages to senior executives. The total remuneration package consists of the following components:

- a) Fixed cash salary
- b) Short-term variable cash remuneration
- c) Pensions and other benefits

Total remuneration of CEO in 2022 (SEK 000)								
Refers to remuneration expensed during the year								
Name, position:	Fixed remuneration		Variable remuneration		Pension cost	Total remuneration	Percentage of fixed and variable remuneration	
	Basic salary*	Other benefits**	Short-term	Long-term			Fixed remuneration	Variable remuneration
<b>Björn Karlsson, President and CEO:</b>	1,748	3	47	-	122	1,920	98%	2%

\* Including payment for vacation taken in cash of SEK 68,000.

\*\* Health insurance.

Short-term variable cash remuneration is to be linked to predetermined, well-defined and measurable financial criteria. The targets aim to promote MilDef's development in both the short and long term. The measurement period for variable remuneration is generally based on performance over a 12-month period. The variable remuneration must not exceed 35% of the fixed salary and, where applicable legislation permits, is not to be qualifying income for pension or holiday pay purposes.

The criteria for short-term variable remuneration are divided into three different programs based on MilDef's net sales, gross profit and operating profit (EBITDA). Variable remuneration may also be linked to individual criteria. The criteria are to be designed so as to promote the Company's business strategy and long-term interests, including its sustainability. The guidelines can be found on pages 68–69 of the Annual Report 2022.

Other non-monetary benefits may include life assurance and health insurance. In total, premiums and other costs associated with such benefits may not exceed 5% of the fixed annual cash salary.

In 2022 the Company has followed the applicable remuneration criteria adopted by the shareholders' meeting. There were no departures from the guidelines or deviations from the decision-making process prescribed by the guidelines for setting the remuneration. No remuneration has been reclaimed. The Auditors' Report on the Company's compliance with the guidelines is available on MilDef's website under Corporate Governance.

### Share-based incentive program

At an extraordinary shareholders' meeting on April 29, 2021, a resolution was passed to adopt an incentive program ("Incentive program 2021/2025) for the Group's employees by issuing warrants with the subsequent right to subscribe for new shares in MilDef. The fact that the resolution was passed at a shareholders' meeting means that these guidelines are not covered but should still be seen as being in the same spirit. The warrants have been transferred on market terms at a price (premium) that was set based on an estimated market value using the recognized Black–Scholes model. The calculation was carried out by an independent appraisal institution. For more information, visit [www.mildef.com](http://www.mildef.com).

### Application of performance criteria

The CEO's performance criteria for 2022 are divided into three different parameters based on MilDef's net sales, gross profit and operating profit (EBITDA). Although they are expressed in financial terms, the performance criteria further contribute to alignment with sustainability and the Company's values. Partly because of the prevailing shortage of components on the global components market, MilDef's financial performance came in below the initial expectations, and hence only a small amount of variable remuneration was paid to the CEO in the 2022 financial year.

**Helsingborg, May 4, 2023**

*Board of Directors of MilDef Group AB (publ)*