

Remuneration Report 2020/2021 for Sectra AB

Introduction

This report describes how the guidelines for remuneration to senior executives in Sectra AB, adopted by the 2020 Annual General Meeting, were implemented in 2020/2021. This report also contains information on remuneration to the President and Executive Vice Presidents as well as a summary of share-based incentive programs, both outstanding and concluded during the year. This report has been prepared in accordance with the Swedish Companies Act and the Remuneration Rules issued by the Swedish Corporate Governance Board.

Additional information on remuneration to senior executives is provided in Note 3 (Employees and personnel costs) on pages 91–92 of Sectra's Annual Report and Sustainability Report for 2020/2021. Information on the work of the Remuneration Committee during the fiscal year is provided in the Corporate Governance Report on pages 54–63.

Board fees are not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and is reported in Note 3 on pages 91–92 of the 2020/2021 Annual Report. No remuneration above and beyond the Board fees resolved by the Annual General Meeting were paid out during 2020/2021.

Sectra's performance in 2020/2021

The CEO summarizes the company's overall performance in his statement on pages 10–12 of Sectra's Annual Report and Sustainability Report for 2020/2021. A more detailed account of the company's performance is presented in the Administration Report on pages 64–79.

The company's remuneration guidelines: scope, purpose and deviations

One prerequisite for successfully implementing the company's business strategy and safeguarding its long-term interests, including its sustainability, is the company's ability to recruit and retain qualified employees. To this end, the company must offer competitive remuneration. The company's remuneration guidelines make it possible to offer senior executives competitive total remuneration. In certain years, in addition to the remuneration covered by the remuneration guidelines, the company's Annual General Meeting has resolved on the introduction of long-term share-based incentive programs.

In accordance with the guidelines, the terms and conditions must emphasize remuneration after performance, and vary in relation to the individual's performance and the Group's earnings. Remuneration to senior executives is to be on market terms and can consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Variable cash remuneration is to be based on predetermined and measurable criteria. These criteria should be based on:

- (i) financial earnings (profit, financial efficiency and sales) or alternately operational goals that over the long term are felt to lead to solid financial results;
- (ii) share-based goals; and
- (iii) non-financial goals such as sustainability, customer satisfaction, quality and corporate culture.

They should also consist of individually adapted quantitative or qualitative goals. The criteria are to be designed to promote the company's business strategy and long-term interests, including its sustainability. In addition to variable remuneration that executives may receive in accordance with these guidelines, the Board of Directors may decide that such executives could be covered by programs for variable remuneration that also cover personnel categories other than senior executives such as all employees in the Group or in a particular business area. Such programs must entitle all employees (regardless of position) to the possibility of the same nominal remuneration. The complete guidelines are presented on pages 68–69 of the company's Annual Report and Sustainability Report for 2020/2021.

In 2020/2021, the company complied with the applicable remuneration guidelines adopted by the Annual General Meeting. No deviations from the guidelines occurred, and no deviations occurred from the decision-making process that is to be applied in accordance with the guidelines to establish the remuneration. No repayment of remuneration has been demanded. The auditor's statement on the company's compliance with the guidelines is available at investor.sectra.com/agm2021.

Remuneration to the President and Executive Vice Presidents

Total remuneration to the President and CEO and Executive Vice Presidents in 2020/2021 (SEK thousand) (SEK thousand)

Name of executive (position)	Year	Fixed remuneration (basic salary incl. vacation pay)	Variable remuneration	Share of fixed and variable remuneration (%)	Pension	Benefits
Torbjörn Kronander (President and CEO)	20/21 19/20	3,811 2,650	1,218 1,200	76/24 69/31	498 559	N/A N/A
Marie Ekström Trägårdh (Executive Vice President of Sectra AB and President of the Imaging IT Solutions business area) ¹	20/21 19/20	2,885 2,270	1,265 617	59/41 79/21	413 514	N/A N/A
Simo Pykälistö (Executive Vice President of Sectra AB and President of the Secure Communications business area) ¹	20/21 19/20	1,298 1,361	53 185	96/4 88/12	276 329	78 77

¹ The Executive Vice Presidents have received remuneration from other companies in the Group.

Application of performance criteria

The performance criteria for variable remuneration for the President and Executive Vice Presidents have been selected in order to realize the company's strategy and to encourage behavior that is in the long-term interests of the company. The strategic goals as well as short-term and long-term business priorities for 2020/2021 were taken into account in the selection of performance criteria. The non-financial performance criteria also contribute to the adaptation to sustainability as well as the company's values.

Performance of the President and Executive Vice Presidents during the reported fiscal year: variable cash remuneration (SEK thousand)

Name of executive (position)	Description of the criteria related to variable remuneration components	Year	Actual award
Torbjörn Kronander (President and CEO)	Financial performance targets EBIT \geq 15% and growth of EBIT per share \geq 50% over a five-year period	20/21 19/20	1,218 1,200
Marie Ekström Trägårdh (Executive Vice President of Sectra AB and President of the Imaging IT Solutions business area)	Customer satisfaction, financial performance and growth targets, increased shareholding, etc.	20/21 19/20	1,265 617
Simo Pykälistö (Executive Vice President of Sectra AB and President of the Secure Communications business area)	Financial performance and sales targets, increased shareholding, etc.	20/21 19/20	53 185

Share-based incentive programs

Long-term share-based incentive programs in the form of convertible programs have been introduced at the company in certain years. These programs have been targeted at employees in the Group as well as members of the Board. The participants subscribed for convertibles under terms resolved by the Annual General Meeting. The programs targeted at employees have terms of three years, and the programs targeted at the Board have terms of four years.

A program targeted at the Board was converted during the fiscal year; refer to the information in Note 3 on pages 91–92 of the 2020/2021 Annual Report.

Holdings of the President and Executive Vice Presidents in outstanding convertible programs

(SEK thousand)

Name of executive (position)	Amount subscribed (SEK thousand)	Number of underlying shares	Term
Marie Ekström Trägårdh (Executive Vice President of Sectra AB and President of the Imaging IT Solutions business area)	377	1,021	2018/2022

Comparative information pertaining to changes in remuneration and the company's performance

Changes in remuneration and the company's performance over the last five reported fiscal years

Changes in remuneration
(SEK thousand)

Position of executive	20/21 vs 19/20 (% change)	19/20 vs 18/19 (% change)	18/19 vs 17/18 (% change)	17/18 vs 16/17 (% change)	16/17 vs 15/16 (% change)
President and CEO	1,118 (25.4%)	709 (19.2%)	141 (4.0%)	-6 (-0.2%)	341 (10.6%)
Executive Vice Presidents	914 (17.3%)	148 (2.9%)	278 (5.7%)	554 (12.9%)	120 (2.9%)

Changes in Group earnings
(SEK million)

	20/21 vs 19/20 (% change)	19/20 vs 18/19 (% change)	18/19 vs 17/18 (% change)	17/18 vs 16/17 (% change)	16/17 vs 15/16 (% change)
Net sales	-29 (-1.7%)	248 (17.5%)	204 (16.9%)	84 (7.5%)	44 (4.1%)
Operating profit	55 (18.5%)	60 (25.4%)	21 (9.9%)	19 (9.9%)	37 (23.4%)
Net profit for the year	38 (16.1%)	38 (19.3%)	14 (7.7%)	31 (20.1%)	29 (23.2%)

Annual change in average remuneration to other employees (FTEs)
(SEK thousand)

	20/21 vs 19/20 (% change)	19/20 vs 18/19 (% change)	18/19 vs 17/18 (% change)	17/18 vs 16/17 (% change)	16/17 vs 15/16 (% change)
Sectra AB	40 (8.2%)	51 (11.7%)	12 (2.9%)	45 (11.7%)	25 (7.0%)

Linköping, date as indicated by our electronic signature

Sectra AB
Board of Directors