



Notice to attend the Annual General Meeting of shareholders of I.A.R. Systems Group AB (publ)

The shareholders of I.A.R Systems Group AB (publ) (the “Company” or “IAR Systems”) are hereby invited to attend the Annual General Meeting to be held on Wednesday 26 April 2023 at 15:00 at the Company’s premises at Strandbodgatan 1A, 753 23 Uppsala.

Registration and notification

Shareholders who wish to participate in the Annual General Meeting must:

- be registered as a shareholder in the share register prepared by Euroclear Sweden AB as of Tuesday 18 April 2023, and
- notify the Company of their intention to participate in the Meeting in such a manner that the Company has received the postal vote by Thursday 20 April 2023 at the latest. Notification shall be made by post to I.A.R. Systems Group AB, Box 23051, 750 23 Uppsala, via e-mail to investorrelations@iar.com or by phone on 0735-12 51 37.

To be entitled to participate in the Annual General Meeting, shareholders whose shares are held in the name of a nominee must, in addition to providing notification of their participation in the Annual General Meeting, re-register the shares in their own name so that the shareholders are registered in the share register on Tuesday 18 April 2023. This re-registration may be temporary (known as “voting rights registration”) and is carried out through the nominee according to their procedures at a time predetermined by the nominee. Voting rights registration that has been completed by the nominee no later than Thursday 20 April 2023, will be recognized in the share register.

Power of attorney

If shareholders wish to cast their postal vote through a proxy, a written, dated and signed power of attorney, which the day of the Annual General Meeting must not be older than five years, shall be enclosed with the notification. The power of attorney form is available on the Company’s website <https://www.iar.com/investors/corporate-governance/>. If the shareholder is a legal entity, a registration certification or an equivalent authorisation document must be enclosed along with the notification.

Shareholders’ right to request information

The shareholders are reminded of their right, in accordance with Chapter 7 Section 32 of the Swedish Companies Act (2005:551), to request information from the Board and the CEO at the Meeting.

Proposed agenda

1. Election of the Chairman of the Meeting.
2. Election of one or two persons to check and sign the minutes.
3. Preparation and approval of the voting list.
4. Approval of the agenda.
5. Decision as to whether the Annual General Meeting has been duly convened.
6. Presentation of the annual accounts, the auditor’s report, the consolidated financial statements and the consolidated auditor’s report.



7. 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.
8. Resolution on the number of Board members and deputies.
9. Resolution on fees to be paid to the Board of Directors and auditors.
10. Election of Board members and Chairman of the Board.
11. Election of auditors.
12. Approval of guidelines for remuneration for senior executives.
13. Approval of the remuneration report.
14. Resolution to adopt the long-term incentive program 2023 and authorisation for the Board to resolve on transfer of own shares:
 - a. adoption of LTI 2023,
 - b. transfer of own shares to the Participants, and
 - c. transfer of own shares on a regulated market.
15. Resolution on the authorisation of the Board to decide on the issue of new shares and/or convertibles.
16. Resolution on the authorisation of the Board to decide on the repurchase and transfer of treasury shares.
17. Other business to be addressed by the Annual General Meeting according to the Swedish Companies Act or the Articles of Association.
18. Adjournment of the Annual General Meeting

Proposals for resolution

Item 1 – Election of the Chairman of the Meeting

The nominating committee – comprising Jonas Eixmann (Chairman of the nomination committee) appointed by Andra AP-fonden, Jonas Rennmark appointed by Arbejdsmarkedets Tillægspension (ATP), Markus Lindqvist appointed by Aktia and Petter Mattsson appointed by Alcur Fonder – proposes that the Chairman of the Board Nicolas Hassbjer be elected as Chairman of the Meeting.

Item 7 b – Resolution on the appropriation of the Company's profits according to the adopted balance sheet

The Board of Directors proposes that SEK 1.50 per share be paid as an ordinary dividend for the financial year 2022. The record date is proposed to be Friday 28 April 2023. If the General Meeting resolves in accordance with the proposal, the dividend is expected to be paid through Euroclear Sweden AB on Thursday 4 May 2023.

Item 8 – Resolution on the number of Board members and deputies



The nominating committee proposes that the Board of Directors is to comprise five Board members and no deputies.

Item 9 – Resolution on fees to be paid to the Board of Directors and auditors

The nominating committee proposes that Board fees be paid in an amount of SEK 1,300,000, of which SEK 500,000 to the Chairman of the Board and SEK 200,000 to each of the non-executive Board members. It is proposed that fees to the auditors be paid according to approved invoices.

Item 10 – Election of Board members and the Chairman of the Board

The nominating committee proposes the re-election of Board members Nicolas Hassbjer, Michael Ingelög, Fred Wikström, Cecilia Wachtmeister and Sabina Lindén. The nominating committee also proposes the re-election of Nicolas Hassbjer as Board Chairman.

Information about the proposed Board members is available on the Company's website:

<https://www.iar.com/investors/corporate-governance/>.

Item 11 – Election of auditors

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.

Item 12 – Approval of guidelines for remuneration for senior executives

The Board of Directors proposes that the Annual General Meeting resolves on the following guidelines for remuneration to senior executives.

"Senior executives" refers to the CEO and other group management who are presented at I.A.R. Systems Group's website. The guidelines for remuneration 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 Annual General Meeting 2023. 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 Annual General Meeting 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.

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 senior executives shall be covered by a pension plan corresponding to the cost of the ITP plan, up to what is deductible for the Company. The CEO has a pension that is paid with a maximum of 30% of salary up to 25 PBB and above this 25% of salary. 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 and company car and shall be provided to the extent this is considered to be in line with market conditions.

Termination

In the event of termination of the CEO, termination pay is applied with unchanged conditions for six months. The notice period for the other senior executives shall be three to 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 of Directors' remuneration committee, which consists of at least two Board members including the Chairman of the Board as well as the Chairman of the remuneration committee, addresses and prepares remuneration issues relating to senior executives. The remuneration committee prepares and drafts proposals for decisions regarding remuneration and terms of employment for the CEO, which is submitted to the Board for decision. The Board evaluates the CEO's work annually. Regarding other senior executives' remuneration and terms of employment, the CEO approves the remuneration on the basis of the guidelines for remuneration for senior executives adopted at the Annual General Meeting.

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.

Item 13 – Approval of the remuneration report

The Board of Directors proposes that the Annual General Meeting resolve to approve the Board's remuneration report in accordance with Chapter 8, Section 53a of the Swedish Companies Act.

Item 14 – Resolution to to adopt the long-term incentive program 2023 and authorisation for the Board to resolve on transfer of own shares

The Board of Directors proposes that the General Meeting resolves to adopt a performance- based incentive program for certain employees in IAR ("LTI 2023") in accordance with item 14 (a), (b) and (c) below. LTI 2023 is aligned with LTI 2022 that was approved by the Extraordinary General Meeting in 2022.

The purpose of the proposal is to create conditions to retain and increase motivation among senior executives, employees and other key individuals in the Company. The Board believes that it is in the interest of all shareholders that senior executives, employees, and other key individuals, which are deemed to be important for the development of the Company, have a long-term interest in a positive growth of the Company's share price. Through the proposed program, a long-term ownership



commitment is created, which is expected to stimulate an increased interest in the business and the Company's performance in general.

The LTI 2023 have a three-year program term and implies that the participants are allocated Restricted Stock Units ("RSUs") which gives the right to acquire IAR shares.

The detailed terms and principles of the LTI 2023 are described below.

Item 14 (a) – Adoption of LTI 2023

For LTI 2023, the following terms and conditions shall apply:

A maximum of 145 000 RSUs may be allotted to participants in LTI 2023.

A maximum of 140 employees shall be allowed to participate in LTI 2023. The participants are divided into four categories based on their respective roles in the Company. The distribution of RSUs is shown below:

- Category 1: The CEO may be offered a maximum of 10 000 RSUs.
- Category 2: Management, consisting of 11 employees, may be offered a total of a maximum of 55 000 RSUs, whereby each employee within the category may be offered a maximum of 5 000 RSUs.
- Category 3: Key employees, consisting of 128 employees, may be offered a total of a maximum of 100 000 RSUs, whereby each employee within the category may be offered a maximum of 3 000 RSUs.

The allotted RSUs are vested with one-third each year from the time of the first allotment. Exercise of the RSUs can however only take place three years from the first time of allotment.

Allotment of RSUs is in each case conditional upon (i) that the participant's employment or assignment in the Company has not been terminated, with certain exceptions, and (ii) that the participant has entered a separate agreement concerning the RSUs with the Company. The Board shall ensure that the agreements with the participants contain terms and conditions that prohibit the transfer or pledge of the RSUs and that stipulates that unvested RSUs will, with certain exceptions, be forfeited should the participant's employment or assignment in the Company be terminated.

If a participant's employment is terminated due to the participant's termination or breach of contract, all RSUs shall lapse immediately and not be exercisable. If the employment is terminated for other reasons, earned RSUs can be exercised, but the right to RSUs that have not yet been granted or earned ceases to apply. The Board has the right to deviate from the above in individual cases. Final terms shall be decided by the Board and regulated in separate RSU agreements.

The RSUs shall be allotted to the participants free of charge.

The calculation of the LTI 2023 RSU outcome for each Participant in relation to maximum performance value shall be connected to Company related performance targets established by the Board, or other similar metrics deemed appropriate by the Board. The performance target adopted by the Board will stipulate a minimum level, and a maximum level, that may be adjusted if deemed appropriate.

- *Target 1* Average annual organic growth during 2023-2025 of 5-20%. If the target level 20% is reached, the allocation will amount to 100%. If the performance outcome is below



the target level but exceeds the minimum level of 5%, a proportionate allocation of RSUs will be made.

- *Target 2* Average annual EBIT margin during 2023-2025 shall amount to the minimum level of 20%. No RSUs will be allocated if the outcome is less than the minimum level 20%.

The Board will decide on the outcome of the established performance target during the first quarter of 2026. The performance targets are measured over a three-year period.

Provided that the RSUs have been allotted and vested, each RSU grants the holder a right to, during the period from 1st September 2026, up to and including 1st October 2026, as decided by the Company, acquire one (1) share in the Company.

Participation in LTI 2023 is in each case conditional upon the participation being legally possible as well as possible with reasonable administrative costs and financial efforts based on the Company's assessment.

The Board shall be responsible for the agreements with the participants and the administration of LTI 2023. In connection therewith, the Board has the right to make adjustments in order to adjust to certain rules or market conditions outside of Sweden. Further, in extraordinary cases, the Board is entitled to limit the extent of LTI 2023 or terminate the program in advance, in whole or in part.

The number of shares that may be acquired for each RSU shall be recalculated in the event of share splits, rights issues and similar corporate actions with the aim of keeping the economic value of an RSU is unaffected by such actions.

Dilution and costs

The maximum dilution effect of LTI 2023, not taking into account the transfer of shares to cover social costs in accordance with paragraph 14 (c), amounts to 1.0 per cent of the total number of shares and votes in the Company. If all outstanding incentive programs is included in the calculation, the maximal dilution amounts to 2.0 per cent of the total number of shares and votes in the Company.

The RSUs will be regarded as personnel costs during the vesting period, without any impact on the Company's cash flow. If the RSUs are exercised, LTI 2023 may also entail costs in the form of social security contributions. The total costs for the social security contributions will depend, partially on the participant's employment or assignment form in the Company, partially on the number of RSUs that will be vested, and partially on the value of the benefit that the participant finally receives, i.e., on the value of the RSUs when exercised in 2026. The costs due to social security contributions will be accrued in the income statement over the vesting period. The Company intends to hedge the entire cost of the social security contributions through an allocation of already held IAR shares, in accordance with the Board's proposal in item 14 (c) below, which may be exercised by a financial third party in connection with the exercise of the RSUs. If the Company creates such a hedge structure, the costs for social security contributions will not affect the Company's cash flow.

Based on the assumption that all RSUs in LTI 2023 are vested, an assumed share price of SEK 125 when the RSUs are exercised, an annual share price increase of 10% and an assumed average social security rate of approximately 20% percent, the total costs for the program including social security contributions will amount to approximately MSEK 23 which yearly corresponds to approximately 2.6 per cent of the Company's total salary costs for employees (including social security contributions) for the 2022 financial year.

Preparation of proposal



The Board has prepared LTI 2023 in consultation with external advisors.

Item 14 (b) - transfer of own shares to the Participants

The Board proposes that the Annual General Meeting shall resolve on transfer of the Company's own shares to the Participants in accordance with the following:

- IAR shall have the right to transfer up to 145 000 shares, free of charge, to the Participants under the terms and conditions of the LTI 2023.
- The number of shares has been calculated on the basis of maximum participation and maximum fulfilment of performance targets.

Item 14 (c) - transfer of own shares on a regulated market

The Board proposes that the Annual General Meeting shall resolve to authorise the Board to resolve on transfer of the Company's own shares in accordance with the following:

- A maximum of 29 000 shares may be transferred to cover social costs
- Transfer shall only be made on a regulated market or in a market corresponding to a regulated market outside the European Economic Area.
- Transfer shall only be made at a price which is within the at any time recorded registered price interval.
- Payment for the shares shall be made in cash.
- The reason for the Board's proposal is that the Company shall have the opportunity to secure the costs for social security contributions related to LTI 2023.

Majority requirements

The resolution of the Annual General Meeting on implementation of the program according to item (a) above requires that more than half of the votes cast at the Annual General Meeting approve the proposal. The Annual General Meeting's resolution on item (b) above requires that shareholders representing at least nine tenths of the votes cast as well as the shares represented at the Annual General Meeting approve the proposal. The Annual General Meeting's resolution on item (c) above requires that shareholders representing at least two-thirds of the votes cast as well as the shares represented at the Annual General Meeting approve the proposal.

Item 15 – Authorisation of the Board to decide on the issue of new shares and/or convertibles

The Board of Directors proposes that the Annual General Meeting authorise the Board, on one or several occasions during the period until the next Annual General Meeting, 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 1,552,037 class B shares, corresponding to a dilution effect of approximately 10.0% of the share capital and about 10,0% of the number of votes after dilution.

The motive for the authorisation 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 authorisation 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 Annual General Meeting'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 Annual General Meeting.

Item 16 – Authorisation for the Board to decide on the repurchase and transfer of treasury shares

The Board of Directors proposes that the Annual General Meeting authorise the Board, on one or several occasions during the period until the next Annual General Meeting, 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 authorisation is to give the Board greater freedom of action in optimizing the Company's capital structure.

It is furthermore proposed that the Board be authorised, on one or several occasions during the period until the next Annual General Meeting, 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 authorisation 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 authorising 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 Annual General Meeting'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 Annual General Meeting.

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, and power of attorney forms will be available from the Company at Strandbodgatan 1, Uppsala, , and on the Company's website <https://www.iar.com/investors/corporate-governance/>. Copies of the documents will be sent free of charge to shareholders who so request and who provide their mailing address.

The share register is available at the Company's head office at the address provided above. The Company's corporate identification number is 556400-7200. For information on the processing of personal data, refer to: <https://www.euroclear.com/dam/ESw/Legal/Privacy-notice-bolagsstammor-engelska.pdf>

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As of 28 March 2023, the Company had a total of 13 968 333 shares, comprising 13,660,291 class B shares and 308,042 class C shares, corresponding to a total of 13,968,333 votes. No class A shares were issued. The Company currently holds 7 963 class B shares and 308,042 class C shares.

Stockholm, March 2023

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

Board of Directors