

# Remuneration Report 2022/2023 for Sectra AB

## Introduction

This report describes how the guidelines for remuneration to senior executives in Sectra AB, adopted by the 2022 Annual General Meeting, were implemented in 2022/2023. 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 100–102 of Sectra’s Annual Report and Sustainability Report for 2022/2023. Information on the work of the Remuneration Committee during the fiscal year is provided in the Corporate Governance Report on pages 60–65.

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 100–102 of the 2022/2023 Annual Report. No remuneration above and beyond the Board fees resolved by the Annual General Meeting were paid out during 2022/2023.

The guidelines adopted by the 2022 Annual General Meeting entail the following changes to the principles adopted by the 2020 AGM:

- variable cash remuneration may total a maximum of 100% (previously 50%) of the Basic Salary as regards financial, operational, non-financial and individually adapted goals; and
- that the term “Basic Salary” should be understood, provided that it pertains to the decision concerning variable cash remuneration, to mean the executive’s fixed cash salary excluding vacation allowance.

## Sectra’s performance in 2022/2023

The CEO summarizes the company’s overall performance in his statement on pages 11–13 of Sectra’s Annual Report and Sustainability Report for 2022/2023. A more detailed account of the company’s performance is presented in the Administration Report on pages 66–86.

## 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 69–71 of the company’s Annual Report and Sustainability Report for 2022/2023.

In 2022/2023, 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 <https://investor.sectra.com/agm2023>.

## Remuneration to the President and Executive Vice Presidents

### Total remuneration to the President and CEO and Executive Vice Presidents in 2022/2023 (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 of Sectra AB)	22/23 21/22	3,756 3,862	1,719 1,820	69/31 68/32	938 924	N/A N/A
Marie Ekström Trägårdh (Executive Vice President of Sectra AB and President of the Imaging IT Solutions business area) <sup>1</sup>	22/23 21/22	2,628 3,014	900 1,110	74/26 73/27	596 664	N/A N/A
Simo Pykälistö (Executive Vice President of Sectra AB and President of the Secure Communications business area) <sup>1,2</sup>	22/23 21/22	- 1,277	- 0	- 100/0	- 311	- 71

<sup>1</sup> The Executive Vice Presidents have received remuneration from other companies in the Group.

<sup>2</sup> Decided to step down, with employment terminated on March 25, 2022.

## 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 2022/2023 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 of Sectra AB)	Financial performance targets EBIT $\geq$ 15% and growth of EBIT per share $\geq$ 50% over a five-year period	22/23 21/22	1,719 1,820
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.	22/23 21/22	900 1,110
Simo Pykälistö (Executive Vice President of Sectra AB and President of the Secure Communications business area)	Financial performance and sales targets, increased shareholding, etc.	22/23 21/22	- 0

## Share-based incentive programs

### Convertible 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 100–102 of the 2022/2023 Annual Report. There were no remaining convertible programs at April 30, 2023.

### LTIP 2021

In the 2021/2022 fiscal year, two new performance-based share programs (long-term incentive programs) were introduced for all employees. One program is for North America (LTIP NA) and one is for employees in the rest of the world (LTIP SROW). The qualification period is January 1, 2022 to December 31, 2026. The prerequisites for vesting are continued employment and holdings of so-called savings shares throughout the entire qualification period. In addition, there are a number of performance conditions as described below.

For every calendar year during the term of the program (qualification period) for employees in North America, Sectra must have a) received a minimum of one “Best in KLAS” award (in any category), and b) received a first, second or third place ranking in “Best in KLAS for PACS/Radiology for large hospitals” in the US or Canada depending on where the participant is employed. For employees in the rest of the world, in addition to the performance conditions above, the employee must have deposited savings shares in a deposit account specified by Sectra. One savings share comprises one Class B share in Sectra AB. The number of savings shares is to correspond to the number of share awards the employee has been allotted. The savings shares are to be deposited during the entire qualification period.

For every calendar year during the qualification period for employees in companies other than Sectra Communications AB and its subsidiaries (the Sectra Communications Group), Sectra must have a) received a minimum of one “Best in KLAS” award (in any category), and b) received a first, second or third place ranking in “Best in KLAS for PACS/Radiology for large hospitals” in the US. For employees in the Sectra Communications Group, the Sectra Communications Group must have, for every calendar year during the qualification period, a) achieved an operating margin of at least 15%, and b) achieved EBIT growth of at least 8% year-on-year.

For each calendar year in which any of the performance prerequisites are not achieved, one-tenth of the allotted share awards expire. One share award pertains to the right to receive a performance share free of charge provided that the above conditions are met. One performance share comprises one Class B share in Sectra AB.

## Holdings of the President and Executive Vice Presidents in outstanding long-term incentive programs (LTIP SROW)

(SEK thousand)

Name of executive (position)	Number of share awards allotted	Number of expired share awards	Number of vested performance shares	Number of not yet vested performance shares	Theoretical value on allotment <sup>1</sup>
Torbjörn Kronander (President and CEO of Sectra AB)	20,000	0	8,000	12,000	3,081,200
Marie Ekström Trägårdh (Executive Vice President of Sectra AB and President of the Imaging IT Solutions business area)	20,000	0	8,000	12,000	3,081,200

<sup>1</sup> Based on a share price of SEK 154.06.

### LTIP 2022

In the 2022/2023 fiscal year, a new performance-based share program (LTIP 2022) was introduced for all employees. The vesting period is January 1, 2023 to December 31, 2027. The prerequisites for vesting are continued employment and a number of performance conditions as set out below.

For every calendar year during the qualification period for participants in the program who are not employees of the Sectra Communications Group, Sectra must have a) received a minimum of one “Best in KLAS” award (in any category) in the employee’s region, and b) received a first, second or third place ranking in “Best in KLAS for PACS/Radiology for large hospitals” in the US. “Region” refers to i) for employees in the US: the US, ii) for employees in Canada: Canada, iii) för employees in Europe incl. Sweden: Europe and iv) for employees in ANZ: Asia-Pacific. For employees in central functions in Sweden (Sectra AB, Sectra Imaging IT Solutions AB, Sectra Medical Education AB and Sectra Orthopaedics AB) and employed outside of the previously mentioned regions, Sectra must have a) received a minimum of two “Best in KLAS” awards in any category in any of the regions for each calendar year during the qualification period.

For employees of the Sectra Communications Group, the Sectra Communications Group must have, for every calendar year during the qualification period, a) achieved an operating margin of at least 10% for the 2022/2023 fiscal year and at least 15% for the following fiscal year, and b) achieved EBIT growth of at least 10% year-on-year. Reporting of performance-based incentive programs

For each calendar year in which any of the performance prerequisites are not achieved, one-tenth of the allotted share awards expire. One share award pertains to the right to receive a performance share free of charge provided that the above conditions are met. One performance share comprises one Class B share in Sectra AB.

## Holdings of the President and Executive Vice Presidents in outstanding long-term incentive programs (LTIP 2022)

(SEK thousand)

Name of executive (position)	Number of share awards allotted	Number of expired share awards	Number of vested performance shares	Number of not yet vested performance shares	Theoretical value on allotment <sup>1</sup>
Torbjörn Kronander (President and CEO of Sectra AB)	15,000	0	3,000	12,000	2,165,100
Marie Ekström Trägårdh (Executive Vice President of Sectra AB and President of the Imaging IT Solutions business area)	15,000	0	3,000	12,000	2,165,100

<sup>1</sup> Based on a share price of SEK 144.34.

## 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	22/23 vs 21/22 (% change)	21/22 vs 20/21 (% change)	20/21 vs 19/20 (% change)	19/20 vs 18/19 (% change)	18/19 vs 17/18 (% change)
President and CEO	-194 (-2.9%)	1,079 (19.5%)	1,118 (25.4%)	709 (19.2%)	141 (4.0%)
Executive Vice Presidents	-664 (-13.9%)	186 (3.0%)	914 (17.3%)	148 (2.9%)	278 (5.7%)

#### Changes in Group earnings (SEK million)

	22/23 vs 21/22 (% change)	21/22 vs 20/21 (% change)	20/21 vs 19/20 (% change)	19/20 vs 18/19 (% change)	18/19 vs 17/18 (% change)
Net sales	402 (20.6%)	317 (19.4%)	-29 (-1.7%)	248 (17.5%)	204 (16.9%)
Operating profit	72 (18.8%)	33 (9.5%)	55 (18.5%)	60 (25.4%)	21 (9.9%)
Net profit for the year	60 (19.1%)	39 (14.3%)	38 (16.1%)	38 (19.3%)	14 (7.7%)

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

	22/23 vs 21/22 (% change)	21/22 vs 20/21 (% change)	20/21 vs 19/20 (% change)	19/20 vs 18/19 (% change)	18/19 vs 17/18 (% change)
Sectra AB	22 (4.1%)	8 (1.5%)	40 (8.2%)	51 (11.7%)	12 (2.9%)

Linköping, the date stated by our electronic signature

Sectra AB  
Board of Directors