

# THE BOARD OF DIRECTORS' REMUNERATION REPORT FOR 2020

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## INTRODUCTION

This remuneration report provides an outline of how MIPS AB (publ) ("**MIPS**") guidelines for remuneration to senior executives (the "**remuneration guidelines**"), adopted by the Annual General Meeting 2020, have been implemented in 2020. The report also provides details on the remuneration to MIPS' CEO during 2020. Furthermore, the report contains a summarizing description of MIPS' existing share-related and share price-related incentive plans.

## OVERVIEW OF THE APPLICATION OF THE REMUNERATION GUIDELINES IN 2020

For a summary of key events and the company's results during 2020, please see the section "Message from the CEO" in MIPS' Annual Report for the financial year 2020, which is available on MIPS' website, [www.mipscorp.com/en/investors/financial-reports-and-presentations/](http://www.mipscorp.com/en/investors/financial-reports-and-presentations/).

The remuneration committee monitors and evaluates programs for variable remuneration to the CEO, both ongoing and those that have been completed during the year, and the actual and expected outcome of such programs have been reported to the board of directors and discussed at board meetings.

Based on the remuneration committee's evaluation of the CEO's remuneration, the board of directors has determined that the current remuneration structure and remuneration level are appropriate, reflect market practice and are competitive and suitable for achieving MIPS' long- and short-term targets. Both the remuneration committee and the auditor have, after evaluation, concluded that MIPS has complied with current remuneration guidelines and no deviations or derogations from the remuneration guidelines or from the decision-making process, that according to the remuneration guidelines must be applied to determine the remuneration, have been made during 2020.

The remuneration guidelines contain a provision which gives the board of directors the possibility to, under applicable law or contractual provisions, subject to the restrictions that may apply under law or contract, to in whole or in part reclaim variable remuneration paid on incorrect grounds (claw-back). However, the board of directors has not decided to reclaim any variable remuneration in 2020 as no remuneration has been deemed to have been paid on incorrect grounds.

According to MIPS' remuneration guidelines, remuneration to senior executives should be market-based and may comprise the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the General Meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

The variable remuneration to the CEO is linked to the development during the year and is maximised at 75 percent of the fixed annual cash salary. For 2020, the variable salary was based primarily on the group's net sales and operating margin, as well as on cost targets and individual targets. The sales target was not met during the year and fulfilment of the other targets is set out below.

**Total remuneration to the CEO**

The table below sets out the total remuneration (SEK thousand) to MIPS' CEO during 2020.

Name, position (during the start/end of the period)	Financial year	1 Fixed remuneration		2	3	4	5	6
		Fixed cash salary	Other benefits	Variable cash remuneration – One-year variable	Extraordinary items	Pension expenses	Total remuneration	Proportion of fixed and variable remuneration
Max Strandwitz (CEO)	2020	2,876	-	832	-	737	4,445	81% / 19%

**Application of performance targets**

The company’s position as a world-leading actor in its field is largely a result of the innovation, know-how and ability to get things done of a number of individuals affiliated with MIPS. In order to continue to successfully implement the company’s business strategy and to safeguard the company’s long-term interests, including its sustainability, the company must be able to recruit and retain qualified employees. The company must therefore apply market-based and competitive remuneration levels and terms of employment in order to be able to recruit and retain a management team with high competence and capacity to achieve set targets. Further, the targets shall be simple, long-term and measurable.

The variable cash remuneration shall be linked to predetermined and measurable criteria, which may be financial or non-financial. The criteria may also comprise individually and functionally adapted quantitative or qualitative targets. The criteria must be designed to promote the company’s business strategy and long-term interests, including its sustainability, by, for example, being clearly linked to the business strategy or by promoting the senior executive’s long-term development.

The variable cash remuneration will mainly be dependent on the group’s net sales and operating margin, which is in line with the company’s long-term financial goals. In addition, the remainder of the variable remuneration may be paid based on individual and function-specific targets.

The table below presents the performance criteria applied with regard to the CEO's variable cash remuneration as well as the weighting and level of fulfilment of these criteria. The table refers to remuneration for 2020 and thus performance targets for 2020.

Name, position	1 Description of the criteria related to the remuneration component	2 Relative weighting of the performance targets	3 a) Fulfilled performance and b) actual remuneration outcome
Max Strandwitz (CEO)	Net sales	40%	a) 0%
			b) SEK 0 thousand
	Operating margin	40%	a) 50%
			b) SEK 416 thousand
	Function-specific target	10%	a) 100%
			b) SEK 208 thousand
	Individual target	10%	a) 100%
			b) SEK 208 thousand
	<b>Total</b>	<b>100%</b>	<b>a) 40%</b>
			<b>b) SEK 832 thousand</b>

### Outstanding share-related and share price-related incentive plans

The Annual General Meeting held on 7 May 2020 resolved to adopt a long term incentive plan ("Warrant Plan 2020/2023") for senior executives and certain key persons in MIPS (in total 12 persons) by an issue of warrants with a subsequent transfer to the participants at a price corresponding to market terms. Each warrant entitles to subscription of one new share in MIPS at a subscription price corresponding to 130 percent of the average volume-weighted price paid for the MIPS share on Nasdaq Stockholm during the period from and including 8 May 2020 up to and including 14 May 2020. A total of 550,000 warrants were issued and transferred to the participants, of which the CEO acquired 216,494 warrants in the Warrant Plan 2020/2023. The exercise price (subscription price) was set, in accordance with the above, at SEK 339.3 per share. As of 30 December 2020, i.e. the last trading day of the year, the closing price for the MIPS share on Nasdaq Stockholm was SEK 515.

The Annual General Meeting held on 7 May 2020 also resolved to adopt a long-term performance share plan for employees in MIPS ("LTIP 2020"), which comprises all employees within the MIPS group except for the employees who are offered to participate in the Warrant Plan 2020/2023 (in total 42 persons). Participation in the plan required a personal investment and the participants could as a maximum invest in a number of shares with a value corresponding to the participant's monthly salary in April 2020 before taxes, assuming a share price of SEK 211.43. Each investment share entitles to one share right and each share right entitles the holder to receive one share in MIPS, subject to the following conditions being fulfilled; (i) that the participant remains employed within the MIPS group until, and including, the day on which MIPS' interim report for the first quarter of 2023 is announced, (ii) that the participant has kept all of its investment shares, and (iii) that the performance target is fulfilled. The performance target is achieved if the annual average total shareholder return (TSR) on

MIPS' share amounts to 10 percent or more during the measurement period (March 2020 – March 2023). The total number of participants in the plan as of 31 December 2020 was 38. A total of 5,749 shares were invested in the plan, which means that the maximum outcome in the program amounts to 5,749 shares in MIPS.

The warrant plans adopted by the Extraordinary General Meeting on 1 February 2017 have lapsed during spring 2020 whereby the company's CEO exercised all of his 150,000 warrants which, after recalculation in accordance with the terms and conditions for the warrants, entitled him to subscribe for 151,500 shares in the company.

Further information regarding outstanding share related and share price-related incentive plans, including information on the CEO's participation in such, can be found in Note 5 in the Annual Report for 2020, which is available on MIPS' website, [www.mipscorp.com/en/investors/financial-reports-and-presentations/](http://www.mipscorp.com/en/investors/financial-reports-and-presentations/).

## COMPARATIVE INFORMATION ON THE CHANGE IN REMUNERATION AND MIPS' PERFORMANCE

### Changes in remuneration and performance during the financial year 2019 and 2020 (RFY) (SEK thousand)

Annual change	2019 vs 2020	(information regarding 2020)
<b>Remunerations</b>		
CEO Max Strandwitz*	+459 (+7%)	4,445
<b>Company performance</b>		
EBIT	+59,135 (+55%)	167,147
<b>Average remuneration on full time basis of employees<sup>[1]</sup></b>		
Employees of the company	+37 (+6%)	697

\* Max Strandwitz became CEO of MIPS AB on 10 May 2019 and was previously CFO. The remuneration presented in the table above refers to his remuneration as CEO and CFO. Johan Thiel was CEO of MIPS AB before Max Strandwitz, up until 10 May 2019, and his total remuneration for 2019 amounted to SEK 2,314 thousand. He has not received any compensation for the year 2020.

<sup>[1]</sup> The average remuneration for employees in MIPS usually includes a fixed cash salary and variable cash remuneration, if any, pension benefits and any other benefits.

## **ADDITIONAL INFORMATION AVAILABLE IN THE 2020 ANNUAL REPORT OR AT MIPS' WEBSITE**

MIPS' remuneration guidelines, which were adopted at the Annual General Meeting 2020, are available on MIPS' website [www.mipscorp.com/en/corporate-governance/remuneration/](http://www.mipscorp.com/en/corporate-governance/remuneration/).

Further information on MIPS' remuneration during 2020 that is not covered by this report is available in the annual report for 2020. The information can be found at: [www.mipscorp.com/en/investors/financial-reports-and-presentations/](http://www.mipscorp.com/en/investors/financial-reports-and-presentations/)

Page 115	The remuneration committee's work during 2020.
Note 5 on page 79-80	Such information required by Chapter 5, Sections 40-44 of the Swedish Annual Accounts Act (1995:1554), including detailed information regarding remuneration to other senior executives covered by the remuneration guidelines adopted at the Annual General Meeting 2020 and information regarding MIPS' share-related and share price-related incentive plans.
Note 4 on page 78	Remuneration to the board of directors.

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Stockholm in March 2021

**MIPS AB (publ)**

*The board of directors*