

Corporate Governance report

Implementation and Reporting on Corporate Governance

Elliptic Laboratories ASA (the "Company" or "Elliptic Labs", and together with its subsidiaries, the "Group") was listed on Oslo Stock Exchange on March 4 2022. The Company has adopted and implemented a corporate governance regime, with processes, procedures and tools which follow the Public Limited Liability Companies Act (the "NPLCA") , the Accounting Act, the Auditors Act, the Securities Trading Act, the EU Regulation No 596/2014 on Market Abuse ("MAR"), the Issuer Rules for the Oslo Stock Exchange as well as the Norwegian Code of Practice for Corporate Governance, last updated 14 October 2021 (the "Corporate Governance Code"). Neither the Company's board of directors (the "Board" or the "Board of Directors") nor the general meeting have adopted any resolutions which are deemed to have a material adverse effect on the Company's corporate governance regime.

The Board adopted the Company's corporate governance policy on 10 January 2022, as well as inter alia rules of procedure for the Board, instructions for the audit committee, instructions for the remuneration committee, and manuals for the handling of inside information and other disclosure obligations applicable to companies with shares listed on the Oslo Stock Exchange. Furthermore, the extraordinary general meeting held on 18th January 2022 approved the Company's guidelines for the determination of salaries and other remuneration to executive personnel, and the annual general meeting held on 23rd May 2022 established a nomination committee and approved instructions for the committee. The Company is reporting in accordance with the NPLCA and the Corporate Governance Code.

Business

The Company is a global enterprise targeting the smartphone, laptop, IoT, and automotive markets. The Company's patented artificial intelligence (AI) software platform combines ultrasound and sensor-fusion algorithms to deliver intuitive 3D gesture, proximity and presence sensing experiences. Its scalable AI Virtual Smart Sensor Platform™ creates software-only sensors that are sustainable, eco-friendly, and already deployed hundreds of millions of devices around the world. The Company is headquartered in Norway with presence in the USA, China, South Korea, Taiwan, and Japan.

The Company's objective is defined as follows in the Company's articles of association (the "**Articles of Association**"):

"The objective of the company is to develop, market and sell solutions and services for interaction, imaging and information exchange between people and technical devices, and everything related thereto, as well as to participate and invest in other companies."

The Board has defined objectives, strategies and risk profiles for the Group's business activities, including that the Company creates value for its shareholders in a sustainable manner. The Company's objectives, strategies and risk profiles are evaluated annually. Furthermore, it is the Board's responsibility from time to time to identify and assess which aspects of sustainability that are relevant to the Group's business. The Board will establish guidelines for how it integrates considerations related to its stakeholders into its value creation.

The Company's objectives and principal strategies are further described in the Company's annual reports and on the Company's website <https://www.ellipticlabs.com/>.

Equity and Dividends

Equity

The Board is responsible for ensuring that the Group is adequately capitalised relative to the risk and scope of operations and that the capital requirements set forth in laws and regulations are met.

The Company shall at all times have an equity capital at a level appropriate to its objectives, strategy and risk profile. The Board shall continuously monitor the Group's capital situation and shall immediately take adequate steps if the Company's equity or liquidity is less than adequate.

At 31 December 2022, the Company's equity was mNOK 325,6, which is equivalent to 93% of total assets. Our Board considers the Company's equity level to be satisfactory. The Board continuously considers the suitability of the Company's equity level and financial strength considering our objectives, strategy and risk profile.

Dividend policy

The Company is currently in a growth phase and is not able to pay any dividends and has consequently not established any clear dividend policy to date. Beyond the growth phase, it is the Company's ambition to pay dividends to shareholders as soon as it considers itself to be in a position to do so. There can be no assurances that in any given period will be proposed or declared, or if proposed or declared, that the dividend will be as contemplated by the above. The Company may revise its dividend policy from time to time.

Any future proposal by the Board of Directors to declare dividends will be subject to applicable laws and will be dependent on several factors, including the Company's financial condition, results of operations, capital requirements, contractual restrictions, general business conditions and other factors that the Board of Directors may deem relevant. In addition to legal requirements, the Board of Directors will, when deciding to propose any dividend, take into consideration capital expenditure plans, restrictions under the Group's debt facilities, financing requirements and maintaining the appropriate strategic flexibility.

The Company has not paid any dividend during the financial years 2019, 2020, 2021, 2022, or to date 2023.

Share capital increases and issuance of shares

Under the NPLCA, the general meeting may authorize the Board of Directors to increase the Company's share capital. Such authorizations should be restricted to defined purposes, and not last longer than the next annual general meeting. An exception may be made for authorizations made in connection with equity incentive programs, which may be authorized for up to two years.

In the annual general meeting held on 23rd. May 2022 the Board was granted an authorization to increase the share capital of the Company in one or more rounds, by up to NOK 103,841 in connection with investments within the Company's business area, to offer share subscription to potential strategic investors or partners and to strengthen the Company's capital. The Board was further granted a separate authorization to increase the share capital in one or more rounds by up to NOK 103,841 in connection with the Company's share option program and other incentive schemes in the Company.

The authorization to increase the share capital in connection with potential investments, share consideration and to strengthen the Company's capital is valid until the annual general meeting in 2023, in all cases expiring on 30th June 2023.

The authorization to increase the share capital in connection with the Company's share option program and other incentive schemes is valid until the annual general meeting in 2024, in all cases expiring on 23rd May 2024. The authorizations allow for the shareholders' pre-emption rights to be set aside (see below).

Following the annual general meeting, the Board utilized the authorizations to carry out the following share capital increases:

- On 27 May 2022, the Board resolved to increase the share capital in connection with the exercise of options through the Company's incentive program. The share capital was increased by NOK 2,089,90 through the issuance of 208,990 new shares, each with a par value of NOK 0.01. Following the registration of the share capital increase, the Company's total share capital was NOK 1,040,508.70, divided into 104,050,870 shares, each with a par value of NOK 0.01.
- On 18 July 2022, the Board resolved to increase the share capital in connection with the exercise of options through the Company's incentive program. The share capital was increased by NOK 233.40 through the issuance of 23,340 shares, each with a par value of NOK 0.01. Following the registration of the share capital increase, the Company's total share capital was NOK 1,040,742.10, divided into 104,074,210 shares, each with a par value of NOK 0.01.

Following the two share capital increases, the remaining amounts of the two Board authorizations to increase the Company's share capital were NOK 101, 751.10 and 103,607.60, respectively.

When the general meeting is considering proposals for board authorizations to increase the Company's share capital for different purposes, each authorization shall be considered and

resolved separately. Board authorizations shall furthermore be limited in time and shall not last longer than until the Company's annual general meeting the following year.

Equal Treatment of Shareholders

The Company has one class of shares. Each share in the Company carries one vote, and all shares carry equal rights, including the right to participate in general meetings.

Pre-emption rights to subscribe

According to the NPLCA, the Company's shareholders have pre-emption rights in share offerings against cash contribution. Such pre-emption rights may, however, be set aside, either by the general meeting or by the Board, if the general meeting has granted a board authorization which allows such deviation. The Board is currently authorized to waive the shareholders' pre-emptive rights, and the Board intends to propose that the annual general meeting in 2023 grants a similar authorization (see above). Any resolution to set aside pre-emption rights must be justifiable when taking into account the common interests of the Company and the shareholders, and such justification will be publicly disclosed through a stock exchange notice by the Company.

Since the last annual general meeting, the Company has waived the shareholders' pre-emptive rights to subscribe for new shares on two occasions, namely the aforementioned share capital increases resolved by the Board on 27th May and 18th July 2023, respectively. The deviations from the shareholders' pre-emptive rights were necessary to attain the purpose of such share capital increases and were considered by the Board to be in the common interest of the Company and its shareholders.

Trading in own shares

Under the NPLCA, the general meeting may authorize the Board of Directors to repurchase the Company's shares. Such authorizations should not last longer than to the next annual general meeting. An exception may be made for authorizations made in connection with equity incentive programs, which may be authorized for up to two years.

At the annual general meeting held on 23rd May 2022, the Board was granted an authorization to acquire the Company's own shares on one or more occasions, with a total par value of up to NOK 103,841. Shares acquired pursuant to this authorization shall either be subsequently cancelled by way of a share capital decrease, included in the Company's incentive program, in connection with the Company's investment or as settlement in acquisitions. The purchase price per share shall not be less than NOK 0.01 and not more than NOK 200. The authorization is valid until the Company's annual general meeting in 2023, and will in all cases expire on 30th June 2023.

The Board authorization to acquire own shares has not been used.

The Board authorization is not limited to a single defined purpose, as the resolution by the general meeting mentions several purposes. [It is the Board's intention to propose to the annual general meeting in 2023 to grant the Board two separate authorizations to acquire shares in the Company, to either be subsequently cancelled by way of a share capital decrease, used in connection with the Company's investment or as settlement in acquisitions, and to be included in the Company's incentive program, respectively.

In the event of a future share buy-back program, the Board will aim to ensure that all transactions pursuant to such program will be carried out either through the trading system at Oslo Børs or at prevailing prices at Oslo Børs and in accordance with MAR. In the event of such program, the Board will take the Company's and shareholders' interests into consideration and aim to maintain transparency and equal treatment of all shareholders. If there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of all shareholders.

Shares and Negotiability

The shares of the Company are freely transferable. There are no restrictions on transferability of shares pursuant to the Articles of Association.

General Meetings

Notification

The notice for a general meeting, with reference to or attached supporting information on the resolutions to be considered at the meeting, as well as a proxy form, shall be sent to all the Company's shareholders with known addresses, and made available on the Company's website and on NewsWeb, no later than 21 days prior to the date of the general meeting. The Board will seek to ensure that the resolutions and supporting information are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting.

Deadlines for shareholders to give notice of their attendance at the general meeting shall be set as close to the date of the general meeting as practically possible. The time limit may not expire earlier than three days before the meeting.

It is noted that as of 1st July 2023, due to amendments in statutory law, such notice must have been received by the Company no later than two business days prior to the general meeting, unless the Board has set a later deadline in the notice of the general meeting. Prior notice of attendance will furthermore be a statutory requirement for shareholders whose shares are registered on a nominee account. Further, as of 1st July 2023, only those who own shares in the Company on the fifth business day before the general meeting (the record date) will have the right to attend and to vote for their shares as of the record date. The Articles of Association will be amended to reflect the amendments in statutory law.

The notice of the Company's annual general meeting held on 23rd May 2022 was sent and made available in accordance with the requirements and principles above.

Participation and execution

The Board of Directors uses its best efforts to schedule and facilitate general meetings in a manner that ensures that all shareholders may exercise their rights to participate in and voting at general meetings, thereby making the general meeting an effective forum for the views of shareholders and the Board of Directors. In accordance with the NPLCA, we are required to hold our annual general meeting of shareholders each year on or prior to 30 June.

The general meeting is chaired by the chair of the Board or a person appointed by him. Having the chair of the Board (or such other appointed person) chairing the general meetings simplifies the preparations for the general meetings significantly. This represents a deviation from the Corporate Governance Code, which states that the general meetings should be chaired by an independent person. However, it is the Company's opinion and experience that its procedures for the chairing and execution of the general meetings have proven satisfactory.

The Company encourages shareholders to attend the general meeting. It is also the intention to have representatives of the Board and the chair of the nomination committee to attend the general meeting. The Company will, however, normally not have the entire Board attend the meeting, as this is considered unnecessary. This represents a deviation from the Corporate Governance Code, which states that arrangements shall be made to ensure attendance by all Board members.

The annual general meeting in Elliptic Labs held on Monday, 23rd May 2022 at 11.00 CEST was held as a digital meeting, in accordance with section 5-8 of the NPLCA. A total of 35.73% of the outstanding shares were represented.

Nomination Committee

The Articles of Association set out that the Company shall have a nomination committee consisting of between two and four members, elected by the general meeting for a term of two years. The nomination committee shall consider and recommend resolutions at the general meeting on the following matters:

- Candidates for election of members to the Board and to the nomination committee, and
- The proposed remuneration of the Board and the members of the nomination committee.

The nomination committee shall propose candidates to the Board and the nomination committee, and justify its proposal for candidates, on an individual basis. Further guidelines for

the duties of the nomination committee are set out in the guidelines adopted by the annual general meeting in 2022, including that the nomination committee and the Company shall provide suitable arrangements for shareholders to submit proposals for candidates for election.

The nomination committee currently comprise two members and consists of Einar Greve (chair) and Thomas Raaschou, elected by the annual general meeting in 2022 for the period until the annual general meeting in 2024.

None of the nomination committee members are members of the Board or the Company's management. All members of the committee are independent of the Board and the Company's management. The nomination committee is of the opinion that the composition of the committee reflects the common interest of all the Company's shareholders.

The nomination committee's recommendation of candidates for the annual general meeting in 2023, including the reasoning for the recommendation, will be appended to the notice of the meeting as published on the Company's website and on NewsWeb.

Board of directors: Composition and independence

Pursuant to the Articles of Association, the Board shall consist of between four and seven members.

The Board's composition shall ensure that it can attend to the common interests of all shareholders in the Company and meet the Company's need for expertise, capacity and diversity. Attention should be paid to ensure that the Board can function effectively as a collegiate body.

The composition of the Board should ensure that it can operate independently of any particular interests. The majority of the shareholder-elected Board members shall be independent of the Company's management and material business contacts. At least two of the shareholder-elected Board members shall be independent of the Company's main shareholder(s).

The Board shall not comprise members from the Company's management. If the Board does include such persons, the Company shall give an explanation of this and implement consequential adjustments to the organization of the work of the Board, including the use of board committees to help ensure more independent preparation of matters for discussion by the Board.

The chair of the Board shall be elected by the general meeting. Members to the Board shall be elected for a period of two years at a time. The annual report shall specify which members are considered to be independent. The Company encourages Board members to own shares in the Company.

The Board of Directors comprise the following persons, [all of which are proposed re-elected] by the annual general meeting in 2023 for the period until the annual general meeting in 2024:

- Tore Engebretsen (chair) has served since 2010;
- Edvin Austbø (member) has served since 2015;
- Sverre-Tore Larsen (member) has served since 2015;
- Berit Svendsen (member) has served since 2019; and
- Ingrid Leisner (member) has served since 2022.

All of the members of the Board are independent of the Company's executive management and material business contacts. Except for Tore Engebretsen, chair of the Board, who is not considered independent of Passesta AS, a company holding approximately 12.3% of the Company's shares, all of the Board members are independent of the Company's main shareholders (shareholders holding 10% or more of the Company's shares). As such, the composition of the Board complies with the Corporate Governance Code.

The Work of the Board of Directors

Board Instructions

The Board is responsible for the overall management of the Company and shall supervise the Company's business and the Company's activities in general.

The NPLCA regulates the duties and procedures of the Board. In addition, the Board has adopted supplementary rules of procedures providing further details on inter alia the duties of the Board and the chief executive officer (the "CEO"), the division of work between the Board and the CEO, notices of Board proceedings, administrative procedures, minutes, board committees, transactions between the Company and the shareholders and related parties and matters of confidentiality.

The Board shall produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation. The CEO shall at least once a month, by attendance or in writing, inform the Board about the Company's activities, position and profit trend.

The Board's consideration of material matters in which the chair of the Board is, or has been, personally involved, shall be chaired by another Board member. The Board shall evaluate its performance and expertise annually.

In 2022, the board held 13 Board meetings.

The audit committee

The Company's audit committee is governed by sections 6-41 to 6-43 of the NPLCA and separate instructions adopted by the Board. The members of the audit committee are appointed by and among the members of the Board. A majority of the members shall be independent of the Company's business, of which at least one member shall have qualifications within accounting or auditing. Board members who are also members of the management (if any) cannot be members of the audit committee.

The purpose of the audit committee is to ensure:

- a. the integrity of the Company's financial statements, financial reporting processes, internal controls and risk assessment and risk management policies, and of the compliance system; and
- b. the performance of the Company's internal control function.

The audit committee reports and makes recommendations to the Board of Directors, but the Board retains responsibility for implementing such recommendations. The audit committee shall comprise of two Board members who are appointed for a two-year term. The appointed members of the audit committee are Ingrid Leisner (chair) and Berit Svendsen (member). [Both members are independent of the Company.] The composition of the Company's audit committee is fully compliant with the requirements for qualifications and competence in accounting and auditing set out in the NPLCA and the recommendations in the Corporate Governance Code.

In 2022, the audit committee held 6 meetings.

The remuneration committee

The Company shall have a remuneration committee in order to ensure thorough and independent preparation of matters relating to compensation paid to the executive personnel. The remuneration committee's duties shall be governed by separate instructions adopted by the Board. The members of the remuneration committee shall be appointed by and among the Board members and shall be independent of the Company's management.

The remuneration committee shall prepare, subject to approval by the Board and the general meeting as required under applicable law:

- a. a policy on determination of salaries and other remuneration for executive personnel in accordance with the NPLCA section 6-16 a;
- b. An annual report on salaries and other remuneration for executive personnel in accordance with the NPLCA section 6-16 b; and
- c. other matters relating to remuneration and other material employment issues in respect of the executive personnel.

The Board of Directors has established a remuneration committee consisting of two members, elected by and among the Board, both of whom have been appointed for a two-year term. The current members of the remuneration committee are Edvin Austbø (chair) and Berit Svendsen (member), who will serve until 2024.

In 2022, the remuneration committee held 2 meetings.

Risk Management and Internal Control

Risk management and internal control are given high priority by the Board, who is responsible for ensuring that adequate systems for risk management and internal control are in place. The control system consists of interdependent areas which include risk management, control environment, control activities, information and communication and monitoring.

The Company's management is responsible for establishing and maintaining sufficient internal control over financial reporting. Company specific policies, standards and accounting principles have been developed for the annual and quarterly financial reporting of the Group. The CEO and the chief financial officer supervises and oversees the external reporting and the internal reporting processes. This includes assessing financial reporting risks and internal controls over financial reporting of the Group. The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") as adopted by the EU.

The Board shall ensure that the Company has sound internal control and systems for risk management, including compliance with the Company's corporate values, ethical guidelines and guidelines for corporate social responsibility. The Company's code of conduct describes the Company's ethical commitments and requirements related to business practice and personal conduct. If employees experience situations or matters that may be contrary to rules and regulations or the Company's code of conduct, they are urged to raise their concern with their immediate superior or another manager in the Company.

The Board shall undertake a complete annual review of risks related to the Group's business, with particular focus on the Company's most important areas of exposure to risk, to be carried out together with the review of the annual financial statements. The audit committee shall assist the Board on an ongoing basis in monitoring the Company's system for risk management and internal control. In connection with the quarterly financial statements, the audit committee shall present to the Board reviews and information regarding the Company's current business performance and risks.

Remuneration of the Board of Directors

The remuneration to the members of the Board shall be decided by the Company's general meeting, and should reflect the Board's responsibility, expertise, time commitment and the complexity of the Company's activities. The remuneration should not be linked to the Company's performance, and the members of the Board should not be awarded share options.

The annual report shall provide details of all elements of the remuneration and benefits of each member of the Board, which includes a specification of any remuneration in addition to normal fees to the members of the Board.

Members of the Board and/or companies with which they are associated should not take on specific assignments for the Company in addition to their appointment as a member of the Board. If they do nonetheless take on such assignments this should be disclosed to the full Board. The remuneration for such additional duties should be approved by the Board.

For the period from the annual general meeting in 2022 up to the annual general meeting in 2023, the nomination committee has recommended that the members and the chair of the Board of Directors each receive NOK 275 000 and NOK 350 000 in remuneration, respectively. Furthermore, as of the general meeting in 2023, the Company intends to change its practice going forward, to resolve remuneration to the members of the Board for the one-year period as of and from the respective annual general meeting. As such, the nomination committee has recommended that the members and the chair of the Board of Directors each receive NOK 290 000 and NOK 370 000 in remuneration, respectively, for the period from the annual general meeting in 2023 up to the annual general meeting in 2024.

The recommendations for remuneration will be considered by and subject to a resolution by the annual general meeting in 2023.

Please see Remuneration Report for further details.

Salary and Other Remuneration for Executive Personnel

The total remuneration of the Company's executive personnel consists of a base salary, variable remuneration, other benefits in kind and pension schemes. Performance-related remuneration of the executive management in the form of bonus programs, share-based incentives or similar shall be linked to value creation in the Company over time. Such arrangements shall incentivise performance and be based on quantifiable factors that the employee may influence. As recommended in the Corporate Governance Code, the performance-related remuneration is subject to an absolute limit. Share based incentive schemes are limited by a maximum number of shares in the Company that can be allocated.

The Board of Directors has established a remuneration committee, see further details on the composition of the committee above. The primary purpose of the remuneration committee is to assist the Board of Directors in matters relating to remuneration of the executive management of the Group, as well as reviewing recruitment policies, career planning and management development plans, and prepare matters relating to other material employment issue in respect of the executive management.

The remuneration committee shall report and make recommendations to the Board of Directors, but the Board retains responsibility for implementing such recommendations. The Company's guidelines regarding the determination of salaries and other remuneration of executive personnel prepared in accordance with section 6-16 a of the NPLCA were approved by the extraordinary general meeting on 18th January 2022.

Please see Remuneration report for further details on the remuneration of the executive personnel.

Information and Communications

The Board has adopted a separate manual on disclosure of information, which sets forth the Company's disclosure obligations and procedures. The Board will seek to ensure that market participants receive correct, clear, relevant and up-to-date information in a timely manner, taking into account the requirement for equal treatment of all participants in the securities market.

The Company will each year publish a financial calendar, providing an overview of the dates for major events, such as the Company's annual general meetings and publication of interim reports.

The Company shall have procedures for establishing discussions with main shareholders to enable the Board to develop a balanced understanding of the circumstances and focus of such shareholders. Such discussions shall be done in compliance with the provisions of applicable laws and regulations.

All information distributed to the Company's shareholders will be made available on the Company's website and on NewsWeb no later than at the same time as it is sent to shareholders.

Take-overs

The Company does not have separate guidelines on how to respond in the event of a takeover bid. This represents a deviation from the Corporate Governance Code, which recommends to have such guidelines in place. The Board has not established written guiding principles for how it will act in the event of a takeover bid, as such situations are normally characterized by concrete and one-off situations which make guidelines challenging to prepare. In the event the Company becomes the subject of a takeover bid, the Board shall seek to ensure that the Company's shareholders are treated equally and that the Company's business is not unnecessarily interrupted. The Board shall also ensure that the shareholders have sufficient information and time to assess any such offer.

There are no defense mechanisms against takeover bids in the Articles of Association, nor have other measures been implemented to specifically hinder acquisitions of shares in the Company. In the event a takeover were to occur, the Board will consider the relevant recommendations in the Corporate Governance Code and whether the concrete situation entails that the recommendations in the Corporate Governance Code can be complied with or not.

Auditor

The Company's auditor, PricewaterhouseCoopers AS, was appointed in 2017 and is regarded as independent in relation to Elliptic Labs. The Board of Directors receives an annual confirmation from the auditor that the requirements regarding independence and objectivity have been satisfied.

The Board will require the Company's auditor to annually present to the audit committee a review of the Company's internal control procedures (including weaknesses identified by the auditor, if any, and proposals for improvement), as well as the main features of the plan for the audit of the Company.

Furthermore, the Board will require the auditor to participate in meetings of the Board that deal with the annual financial statements, in which the auditor shall report on (i) any material changes in the Company's accounting principles and key aspects of the audit, (ii) any material estimated accounting figures, and (iii) all material matters which have been subject to a disagreement between the auditor and the Company's executive management, if any.

At least one Board meeting with the auditor shall be held each year in which no member of the Company's management is present.

The audit committee shall review and monitor the independence of the Company's auditor, including in particular the extent to which services other than auditing provided by the auditor or the audit firm represents a threat to the independence of the auditor.

The remuneration to the auditor for statutory audit will be approved by the annual general meeting.

