

# GUIDELINES ON REMUNERATION FOR EXECUTIVE PERSONNEL

## ELLIPTIC LABORATORIES ASA

(adopted by the extraordinary general meeting on 18 January 2022)

### 1 INTRODUCTION

#### 1.1 General

In accordance with the Norwegian Public Limited Liability Companies Act Section 6-16a, the board of directors (the "**Board**") of Elliptic Laboratories ASA ("**Elliptic Labs**" or the "**Company**") has prepared these guidelines to provide the framework for the remuneration of the Company's executive personnel (the "**Guidelines**"). The term "executive personnel" includes members of the Company's executive management team (the "**Executive Management**") and other key employees, as well as any employees that are members of the Board.

The Guidelines were approved by the Company's extraordinary general meeting on 18 January 2022. In accordance with the Norwegian Public Limited Liability Companies Act Section 5-6 (3), the Guidelines shall be reviewed and approved by the Company's annual general meeting at least every fourth year and upon any material change, see section 3 below. The Guidelines and the result of the voting and date of the general meeting shall be published on the Company's website once they have been approved by the general meeting.

The Board shall prior to the annual general meeting each year prepare an annual report on remuneration to executive personnel for the preceding financial year in accordance with the Norwegian Public Limited Liability Companies Act Section 6-16 b. The report shall be subject to an advisory vote by the annual general meeting and shall be made available on the Company's website.

#### 1.2 Purpose and alignment with the Company's business strategy

Elliptic Labs operates in a highly competitive, international technological landscape. Hence, the Board deems it vital that the Company is able to attract, develop and retain motivated executive personnel with relevant competence, expertise, and advanced leadership skills. In respect of the Executive Management and other key employees, it is important that the Company offers terms that provide motivation and are in line with the market levels for the IT industry globally, well balanced and reasonably based on each executive's competence, responsibility, and performance. At the same time, it is fundamental for the Company that the Guidelines ensure financial sustainability and that the overall level of remuneration does not entail an unreasonable burden on the Company's liquidity and equity.

The Board seeks to entertain a performance-oriented culture, where the individual achievement is clearly aligned with the Company's overall strategy and long-term objectives, and executives are rewarded fairly for their contribution.

When preparing these Guidelines, considerations have also been given to the components and terms of remuneration of other employees of the Company, as well as the increase in remuneration over time, to assess whether these Guidelines are reasonable. The purpose of these Guidelines is to set a framework for remuneration to executive personnel in accordance with the Company's business strategy and long-term interests, including in relation to sustainability and profitability, and which contributes to aligning the interests of executive personnel with the interests of the Company's shareholders, and thereby increasing shareholder value.

#### 1.3 Process

The Board has established a remuneration committee to inter alia evaluate and recommend principles and strategy for the remuneration of the Executive Management, including to assist with the preparation of these Guidelines. The remuneration committee's duties and responsibilities are governed by separate instructions adopted by the Board.

The remuneration committee shall assess and make a recommendation to the Board on the total remuneration of the CEO, which is then approved by the Board. The same applies to any subsequent adjustments to the remuneration. The performance and remuneration of the CEO shall be evaluated annually.

The remuneration of other members of the Executive Management and other key employees, including any subsequent adjustments, is agreed between the respective executive and the CEO, in consultation with the chair of the Board, based on recommendations by the remuneration committee. The remuneration shall be presented to the Board on an annual basis.

The remuneration to any employees that are members of the Board, in their capacity as Board members, is recommended by the nomination committee and resolved by the Company's annual general meeting each year.

## **2 COMPONENTS IN REMUNERATION OF EXECUTIVE PERSONNEL**

### **2.1 Remuneration to any employees that are members of the Board**

The remuneration of any employees that are members of the Board, in their capacity as board members, shall be resolved by the Company's annual general meeting, based on a recommendation by the Company's nomination committee. The nomination committee's duties and responsibilities are governed by separate instructions adopted by the general meeting. Currently there are no employees that are members of the Board.

### **2.2 Remuneration to the members of the Executive Management and other key employees**

#### **2.2.1 General**

In line with other employees of Elliptic Labs, members of the Executive Management and other key employees are offered standard employment contracts with terms and conditions consistent with industry standard. The total remuneration for members of the Executive Management and other key employees consists of a base salary, standard employee pension and insurance coverage, benefits in kind, a variable salary element and participation in share option program. The mix between remuneration incentives is set to support optimal value creation for the Company's shareholders.

#### **2.2.2 Fixed annual base salary**

Providing a fair and competitive base salary as part of the total remuneration package is key for the continued company success and continuity in the Executive Management. The fixed annual base salary for members of the Executive Management and other key employees is determined based on the level of the position in the organization (defined through detailed job evaluations), local labour market conditions, individual conditions including performance, budget, and recommendations by the remuneration committee. The fixed compensation shall be reasonable, fair, market-aligned, and competitive.

The level of fixed annual base salary for the Executive Management is to be reviewed on a regular basis, normally once a year, using relevant benchmark data and internationally recognized job evaluation methodology.

#### **2.2.3 Variable remuneration**

The variable remuneration, cash bonus schemes and share related incentives are linked to value generation for shareholders over time. The variable remuneration is based on a combination of financial results and strategic targets and is determined both by the achievement of individual and companywide key performance indicators ("KPIs") and goals. All variable salary are subject to a cap.

##### **2.2.3.1 Bonus scheme**

The Company has established a bonus scheme for members of the Executive Management and certain other key employees of up to 100% of their respective base salary, to contribute to the Company reaching its long-term strategic goals. The scheme is reviewed at least annually.

It is instrumental that members of the Executive Management and other key employees, both individually and as a team, can influence their achievement of the KPIs and the goals set for each person under the bonus scheme. The financial targets are based on the Company's financial results, specifically gross profit, and adjusted EBITDA, while the strategic targets are based on the strategic priorities as determined by the Board in order to drive the long-term value creation of the Company and its shareholders. Example of such strategic priorities would be growth in recurring services, revenue vertical mix, geographical expansion etc.

The bonuses are awarded as a direct cash payment. Any pay-out under the bonus scheme is subject to the relevant members of the Executive Management and other key employees acting in compliance with the Company's internal policies, at all times.

- 30% shall be linked to financial performance of the Company
- 30% shall be linked to KPIs considered to contribute to long term growth
- 40% shall be linked to personal KPIs for the executive

All targets are approved by the Board at the start of the year. Target may change based on priorities set by the Board for each year. The maximum size of bonus to the CEO is determined by the Board. Any bonus to the members of the Executive Management and other key employees is determined by the CEO.

#### 2.2.3.2 Long-term share option program

In order to stimulate long-term profitability as well as being able to attract and retain competent executives and employees, the Company plans to implement a long-term share option program (the "**Share Option Program**") to include members of the Executive Management and non-executive employees in the Company and its subsidiaries. The Share Option Program is intended to replace the Company's former share option program established prior to the listing on Euronext Growth in 2020. As of the date of these Guidelines, a total of 327 749 options remain outstanding under the former share option program.

The details of the Share Option Program are not yet finalized and the Board will during the first half of 2022 work on establishing the framework for this program. Under the contemplated Share Option Program, it is expected that members of the Executive Management and other eligible employees will be granted options on an annual basis, with a possibility to the Board to grant options on an ad-hoc basis if required (e.g. in connection with recruitment of members to the Executive Management). Furthermore, it is expected that the Share Option Program will not exceed 2.5% of Company's outstanding shares annually.

#### 2.2.3.3 Potential share purchase program

In addition to the Share Option Program, the Board is considering to establish a share purchase program where members of the Executive Management and other employees have the opportunity to participate. The details of this program are not yet determined, and the Board will during the course of 2022 work on establishing the framework for this program. It is expected that shares under the share purchase program will be offered at a certain discount to market price.

#### 2.2.4 Other benefits

There are no special restrictions on the type of other benefits that can be agreed on, but costs related to such benefits shall not normally exceed 30% of the employee's base salary. Relevant benefits may be common market practice, i.e., telephone expenses, a laptop, free broadband connection, newspapers and car allowance if applicable.

#### 2.2.5 Pensions

The Company has established an occupational pension scheme with a defined contribution pension for members of the Executive Management and other employees in Norway, in accordance with the Mandatory Occupational Pension Act. Employees in Norway also have a contractual pension scheme (AFP). The group's employees in the United States are enrolled in the 401k. The provision for enhanced mandatory Safe Harbor Matching Contribution include 100% of the first 6% of Elective Contributions.

The remuneration committee shall yearly address that the Company practice is within market standards for pensions and insurance schemes.

The Company may establish early retirement agreements with members of the Executive Management.

#### 2.2.6 Severance pay

The CEO is entitled to severance pay in the amount of 3 months' base salary upon termination of her employment. Other arrangements for severance pay upon termination of employment by members of the Executive Management will, if any, be set in conjunction with confidentiality and non-compete clauses in each individual's employment

contract to ensure that only limitations in the individual's opportunity to obtain new employment are compensated. Severance pay agreements shall in principle include deductions for income received from other sources.

### **3 DEVIATIONS FROM THE GUIDELINES**

The Board may, at its sole discretion or based on a recommendation by the remuneration committee, temporarily resolve to deviate from the Guidelines on a case-by-case basis, in whole or in part, if a deviation is deemed necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. For instance, it may be used variable elements in the remuneration or awarded other special benefits than those mentioned above, if this is considered expedient for attracting and/or retaining an executive. No special limitations have been placed on the type of benefits that can be agreed, but costs related to such benefits shall not normally exceed 25% of the employee's base salary.

The reason for any deviation shall be clearly documented in the minutes from the relevant Board meeting. Deviations shall also be described in the remuneration report prepared in accordance with the Norwegian Public Limited Liability Companies Act Section 6-16 b each year.

Material changes to the Guidelines shall be presented and explained by the Board and approved by the Company's general meeting.

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