

# **GUIDELINES FOR DETERMINATION OF SALARY AND OTHER REMUNERATION TO EXECUTIVE PERSONNEL IN NEXT BIOMETRICS GROUP ASA**

## **1 BACKGROUND AND STRATEGY**

### **1.1 Introduction**

These guidelines (the "**Guidelines**") govern the determination of salary and other remuneration to the Chief Executive Officer and other senior executives<sup>1</sup> (jointly, the "**Senior Executives**") in NEXT Biometrics Group ASA (the "**Company**", and the Company together with its subsidiaries are jointly referred to as "**NEXT**" or the "**Group**").

The remuneration payable to the Senior Executives is a key instrument for harmonizing the Company's interests with the interests of the Senior Executives. The main purpose of these Guidelines is to allow shareholders to influence the principles for determination of salary and other remuneration to the Senior Executives, in order to create a remuneration culture that promotes the Company's long-term interests, business strategy and the Company's financial sustainability.

The guidelines have been prepared in accordance with the provisions of section 6-16a of the Norwegian Public Limited Companies Act and the Regulation on guidelines and report on remuneration payable to executive personnel.

### **1.2 Business strategy, long-term interests and financial sustainability**

NEXT is operating globally in the high growth fingerprint sensor market. The group develops and provides advanced fingerprint sensor technology and products that delivers uncompromised security and accuracy for the best possible user experience. The company strives to increase its customer base and revenues, find new partners and develop new products related to fingerprint technology with a focus on markets with high potential growth.

To achieve these goals, the Company is of the view that it is necessary to be able to recruit and keep highly qualified Senior Executives. The overall ambition with these Guidelines is to ensure that the Company has a remuneration policy enabling it to recruit and retain highly qualified personnel, so that the business strategy, long-term interests and financial sustainability can be achieved.

### **1.3 The Company's leading personnel**

The following persons comprise the Group's Senior Executives at the date of these Guidelines:

#### **Position**

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Chief Executive Officer

Chief Financial Officer

## **2 PRINCIPLES FOR THE COMPANY'S REMUNERATION POLICY FOR SENIOR EXECUTIVES**

### **2.1 Main principles for the Company's remuneration to executive personnel**

The main principle for the Company's remuneration policy is that the Senior Executives shall be offered competitive terms, taking into account their total remuneration package. Such package may consist of elements such as base-salary, bonus, option schemes, benefits in kind and pension arrangements. The

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<sup>1</sup> The guidelines shall pursuant to the Norwegian Public Limited Companies Act section 6-16a also include employees who are members of the board of directors. The Company does not have employee elected board members, only observers, and the observers are not covered by these Guidelines.

Company will seek to offer a remuneration level that is considered competitive and on market terms, compared to the level offered by similar companies, and which contributes to satisfy the Group's need to recruit and retain highly qualified personnel.

## **2.2 Fixed remuneration**

The Senior Executives may receive the following fixed remuneration elements from NEXT:

**Base salary:** The base salary paid to Senior Executives shall as a starting point constitute the main part of their total remuneration. When determining the base salary, the Senior Executive's position, experience and performance, the competitiveness in the market and the Group's salary budget shall be taken into account. The base salary may be adjusted annually.

**Contribution in kind:** Senior Executives may be offered contribution in kind as a part of their remuneration, such as coverage of phone and phone expenses, private broadband, insurances, coverage of travel expenses and gym membership.

**Pension scheme:** Senior Executives participates in the Group's defined contribution pension scheme in accordance with mandatory law. The Chief Executive Officer has a paid pension contribution of 15% of target salary.

NEXT does not offer compensation to its executives for board membership duties in the company's subsidiaries.

## **2.3 Variable remuneration**

In order to implement and achieve the Group's business strategy, long-term interests and financial sustainability, the Senior Executives may receive the following variable remuneration:

**Performance-based bonus:** Senior Executives may be offered performance-based bonuses. Performance bonuses are set at individual level and may maximum be 50% of base salary. Performance-bonuses are based on agreed targets related to non-financial key and financial performance indicators such as new significant customer contracts, developing new or existing partnerships, developing new products, increases in revenues, gross margin and adjusted EBITDA as defined by the company's alternative performance measures. The board considers these non-financial and financial bonus targets to be aligned with long-term value creation of the company and the company's business strategy.

The CEO is entitled to an annual bonus based on an assessment by the company's Board set at maximum 50% of base salary. The board reviews bonus achievement on a quarterly basis and makes judgements on whether goals are met or not.

## **2.4 Option program**

**Option program for leading personnel and board members:** The Company has in the period from 2005 until today had a long-term share option scheme with an aim to incentivize employees and key advisors. As a part of the Company's turn-around, the Board has decided to actively use the option program such that remuneration for staff and for the Board. The board considers that the option program is aligned with long-term value creation of the company and the company's business strategy as well as being cost and cash efficient for the Company. The board of directors has proposed that the general meeting of shareholders of the Company approve an option program in the annual general meeting on 12 May 2021.

The nomination committee shall be involved in the structuring of the program with respect to the conditions for any board members' participation.

## **2.5 Conditions related to variable remuneration and option grants**

The company has established conditions for cancellation of options that have not vested when a senior executive leaves the company. Moreover, senior executives that have received options that have already vested when they leave the company have a limited time to exercise such options. Bonus grants are considered final when such bonuses have been paid to the executive or employee, but such bonuses may be withdrawn in the case that the person has acted dishonestly or materially breached his/her obligations under his/her employment contract.

## **2.6 Duration of agreements that provide executive personnel remuneration from NEXT**

The employment agreements for the Senior Executives are permanent employment agreements.

The CEO is entitled to a severance pay equal to six months' base salary if the employment is terminated by the Company without cause. In addition, the CFO is entitled to three months' severance pay if the employment is terminated by the Company.

As a guideline, the Company shall not agree to severance payment for Senior Executives, unless this is necessary to ensure the Company the necessary expertise and that it otherwise takes place in accordance with the main principles of the Company's remuneration policy.

## **2.7 Salary and terms of employment of other employees**

In the preparation of these Guidelines, the salary and terms of employment of the other employees of the Group have been taken into consideration, so that the remuneration offered to the Senior Executives, is not in an unreasonable disproportion compared to the salary otherwise offered by the Group to its employees.

# **3 DECISION MAKING PROCESS AND PROCEDURES FOR DEVIATIONS FROM AND AMENDMENTS TO THE GUIDELINES**

## **3.1 Decision making process**

These Guidelines were resolved by the Company's board of directors on 20 April 2021, following input from the board of directors' remuneration committee, and where subsequently submitted for final approval by the general meeting of shareholders on 12 May 2021.

The remuneration committee functions as an advisory body to the board of directors, with the purpose of ensuring a thorough and independent preparation of matters regarding remuneration to the Senior Executives, including to assess the total remuneration package, and ensuring that the terms are competitive.

## **3.2 Deviating from the Guidelines**

The board of directors may, upon recommendation from the remuneration committee and at its sole discretion, temporarily deviate from any section of these Guidelines in order to ensure the Company's long-term interests, financial sustainability and sustainability in the following circumstances:

- upon changes of the Senior Executives;
- upon changes to the Company's group structure, organization, ownership and/or business (e.g. merger, takeover, demerger, acquisition, etc.);

- upon changes in or amendments to relevant laws, rules or regulations; and
- upon other exceptional circumstances where the deviation may be required to serve the long-term interests and sustainability of the Company as a whole or to assure its viability.

If the board of directors deviates from these Guidelines, a justification shall be given in the relevant board meeting minutes and the deviation shall be reported on in the remuneration report to be presented at the next annual general meeting of the Company. In the event that a deviation is continued so that it cannot be deemed temporary, the board of directors shall update these Guidelines and propose that the updated guidelines are resolved by the general meeting as soon as practically possible.

### **3.3 Amendment of these Guidelines**

These Guidelines shall be presented to and be approved by the general meeting of shareholders upon any material change and at least every fourth year. Immaterial amendments to the Guidelines may be made by the board of directors, without approval from the Company's general meeting of shareholders.

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