Remuneration Guidelines

Pexip Holding ASA
2023

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Background

These Remuneration Guidelines (the "Policy or Guidelines ") govern the determination of salary and other remuneration to the senior executives (the "Senior Executives") in Pexip Group and remuneration to Committees and the Board of Directors of Pexip Holding ASA. Pexip Group and ASA are referred to as the "Company" or "Pexip."

Process for development of the Guidelines and conflicts of interests

The Board of Directors and the Remuneration Committee have taken an active role in establishing, reviewing, and executing the Guidelines.

With support from the Remuneration Committee (the "Committee"), the Board of Directors shall prepare a proposal for guidelines for resolution by the annual general meeting at least every fourth year. Resolved guidelines may also be amended by way of a resolution of a subsequent General Meeting.

In order to reduce the risks of conflict of interests, no senior executive shall participate in the decision-making process regarding remuneration-related matters by which they are directly affected.

Purpose and general principle for remuneration

These Guidelines constitute a framework for remuneration to Senior Executives during the period for which the Guidelines are in force.

Remuneration to members of the Company's management is vital for harmonizing the shareholders' interests with the interests of the leading personnel. Principles for incentives and performance are designed to be aligned with such interests and ensure the execution of defined business strategies, short and long-term interests, and sustainable business practices. Further, remuneration shall support the Company's efforts to retain, develop and recruit skilled and qualified senior executives with relevant experience and competence.

The remuneration shall be on a competitive level and reflect the performance and responsibilities of individual senior executives. Remuneration for Senior Executives must be adapted to comply with established local practice and mandatory rules in the jurisdiction of their employment, taking into account, to the extent possible, the overall purpose of the Guidelines.

The Group's Senior Executives

The Group's Senior Executives consists of the CEO and the senior executives reporting to the CEO.

The Guidelines shall, under the Norwegian Public Limited Liability Companies Act section 6-16a, also include the Board of directors and employees who are members of the Board of Directors, if applicable.

Remuneration for the Board of Directors and members of Committees

The Chair, Board members, and members of the Audit Committee, Nomination Committee and Remuneration Committee, respectively, receive a competitive fixed annual amount in remuneration. The Remuneration to the Board and committees are proposed by the Nomination Committee and approved by the Annual General Meeting and paid quarterly in arrears for the Board members. Board members are not offered stock options, warrants or other incentive schemes, except employees who are members of the Board of Directors, who may be eligible to participate in ordinary share programs as employees in Pexip.

Remuneration is evaluated annually against relevant benchmarks in peer companies.

Individual Board members may take on specific ad hoc tasks outside their regular duties assigned by the Board. In each such case, the Board shall, based on a recommendation from the Remuneration Committee, determine a fixed fee for the work carried out related to those tasks. The fee for ad hoc tasks will be disclosed in the Remuneration Report and presented for approval by the shareholders at the Annual General Meeting.

No other benefits are provided to the Board of Directors.

This remuneration structure aims to support the focus of the Board on corporate strategy, supervision, organization, and governance. To ensure the implementation of the company strategy in a sustainable way considering the long-term interest of Pexip, the Board members do not receive variable remuneration based on performance.

Remuneration for Senior Executives

Elements of remuneration

The main principle for the Group's remuneration policy is to offer Senior Executives competitive terms when considering the overall remuneration package. The total remuneration package may comprise of the following elements;

- Base salary
- Pension schemes
- Short term cash-based incentives
- Long term share-based incentives
- Other benefits

Base salary

The base salary for Senior Executives is reviewed once a year per January 1, along with the annual salary review for all employees in Pexip. The development of base salary is based on a benchmark of executive management salaries in peer companies. The Remuneration Committee decides the remuneration of the CEO, and the remuneration of the other Senior Executives is proposed by the CEO and reviewed by the Chair of the Board.

When determining the base salary, the Senior Executives' position, responsibility, experience and performance, competitiveness in the work market, and the Group's salary budget shall be considered.

Pension and other benefits

Pexip has a pension scheme according to local standards for all employees, also covering Senior Executives. Pexip has a pension contribution of 5% of base salary between 1 to 12 G ("G" or grunnbeløpet is the public pension base rate adjusted annually) in Norway, and 5% of base salary in UK. Pexip also has a Group life- and disability insurance policy and health insurance in place for all employees, including Senior Executives.

All employees, including Senior Executives, are offered other benefits such as mobile and fixed internet, disability insurance and health insurance.

Variable remuneration

Short term incentives

The Company firmly believes that performance-based variable cash salaries for the Senior Executives have a motivational effect and that their implementation is beneficial for the Company and its shareholders in order to reach the Company's business strategy, long-term interests, and sustainable business practices. Roles that have the highest direct impact on the Company's short-term performance, such as the Chief Executive Officer and the Chief Revenue Officer, have a higher share of short-term incentives to their overall compensation than the other Senior Executive roles.

The variable cash salaries are aligned with long-term targets. Pexip has defined a set of long-term targets on Annual Recurring Revenue and profitability, which form the basis for the annual business plan and forms the basis of the variable performance-based salary for Senior Executives as follows:

- Annual Recurring Revenue, where achieving 90% of target yields 0% achievement and achieving the annual target yields 100% achievement.
- Development in EBITDA plus capitalized R&D, where 60% of plan yields 0% achievement, and a result according to the annual target yields 100% achievement.

For both elements, under- and over-performance are rewarded on a linear scale. The plan is capped upwards at 200% of the plan.

The Board can adjust targets during the year as well as introduce additional KPIs should it deem it necessary due to changes in market conditions or company performance.

The Company may demand variable cash salary refunded to the same extent it may require fixed cash salary refunded following the expiry of the employment, typically in the event of erroneous payments or breach of contractual obligations.

Long term shared based incentives
The purpose of the long-term share-based incentives (SBI) is to support the alignment between the executive management and shareholder interest and ensure the retention of key talent in Pexip.

The SBI has two parts;

- Part one of the SBI provides a cash amount to eligible executives, who must invest the net amount after tax in Pexip shares within one month after the grant and retain the shares for a minimum of 3 years. After the lock-up, executives are free to keep or sell the shares at their discretion. The conditions for the cash amount are equal to the variable performance-based salary.
- Part two of the SBI is based on share options. The share options will have a strike equal to the volume-weighted average of the past seven days before the award date. Vesting is contingent on continued employment in the Company. In case of a change of control event in the Company, the Company has the right but not the obligation to trigger immediate vesting and exercise upon the event. In the case of extraordinary share price development, there is a break of 50%. The total amount of outstanding share options and RSUs for the company shall not exceed the sum of shares held by the company and the maximum board authorization to issue shares for employee incentive agreements, regardless of vesting year.

Employment agreements

The employment agreements entered with Senior Executives shall provide permanent employment as a starting point. The Group may, nevertheless, based on specific circumstances, enter into temporary agreements with Senior Executives to cover a need in an interim period until a candidate for permanent employment is identified.

Employment agreements with Senior Executives shall include termination provisions, including notice periods, by the law. Termination notice periods for Senior Executives are currently 6 months for the CEO and 3 months for other Senior Executives. Employment agreements with Senior Executives can include provisions concerning severance payments for a limited period after termination of employment.

Decision making Process

The Remuneration Committee is a sub-committee of the Board of Directors. The objective of the Remuneration Committee is to serve as a preparatory and advisory body for the Board of Directors' consideration of matters concerning remuneration and compensation of the Company's CEO and other members of SLT. Responsibilities include overseeing and approving the determination of performance criteria of variable remuneration. It will also preside in other matters, including any potential deferral periods or the Company's claims to a refund of variable compensation. The Remuneration Committee participates in ensuring a thorough and independent preparation of matters concerning the remuneration, including assessing the total remuneration package to ensure that it is competitive and on market terms. The Remuneration Committee members should be independent of the executive management to avoid conflict of interest. The Remuneration Committee shall at least annually review and re-assess this Policy and recommend any proposed changes to the Board, which shall have sole authority to initiate the amendment of these Guidelines.

There are separate instructions for the remuneration committee.

Based on the assessments from the remuneration committee, the Board of Directors decides the salary and other remuneration to the CEO and ensures that the Policy is otherwise complied with. The CEO's remuneration shall be determined based on an evaluation by the Board, emphasizing the CEO's and the Company's overall performance. Any fringe benefits shall align with market practice.

The Board shall annually assess the salary and other remuneration to the CEO.

The CEO determines the remuneration of executive employees within the guidelines and instructions provided by the Board.

When making decisions about Senior Executive's remuneration and setting the content of the remuneration Guidelines, the Board of Directors and the Remuneration Committee shall also consider the remuneration arrangements in place for the wider workforce. Compensation for employees follows the same principles and performance measures applied to the Senior Executive, and individual solid performance and experience, and sustained performance will be recognized and rewarded.

The senior management team annually reviews compensation for the Company's wider workforce.

The salary levels on any management level should not be of a size that could harm the Company's reputation or be above the norm in comparable companies

Effect and approval

The Board of Directors has prepared these Guidelines in accordance with the Norwegian Public Limited Liability Companies Act Section 6-16a and related regulations.

The Guidelines were approved by the Company's annual general meeting in 2022, and shall apply until the Company's annual general meeting in 2026 unless amended or replaced earlier. A few amendments are prepared for approval by the Company's annual general meeting in 2023.

The Guideline document represents a confirmation of the remuneration policy and principles that was decided by the Annual General Meeting on May 20, 2021.

Deviating from the Guidelines

The Board of Directors may, on recommendation from the Remuneration Committee and based on its complete discretion in the circumstances described below to ensure the Company's interests, resolve to deviate from any sections of these guidelines temporarily:

- upon change of the CEO;
- upon changes in Company's group structure, organization, ownership, and business (for example, merger, takeover, demerger, acquisition, etc.);
- upon a material change in the Company 's strategy.
- upon changes in or amendments to the relevant laws, rules, or regulations (for example, for regulatory, stock exchange control, tax or administrative purposes, or to consider a change in legislation or corporate governance requirements or guidance);
- upon other exceptional circumstances where the deviation may be required to serve the interests and sustainability of the Company as a whole or to assure its viability.

Any deviation from the guidelines shall be reported in the remuneration report for the relevant year. If a deviation has continued not to be deemed temporary, the Company shall prepare an updated policy to be presented at the next possible General Meeting presented at the next possible General Meeting.

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