

# REMUNERATION POLICY FOR ASETEK A/S

## 1. INTRODUCTION AND PURPOSE

The Board of Directors (the "**Board of Directors**") of Asetek A/S, CVR 34 88 05 22 ("**Asetek**" or the "**Company**") has adopted this Remuneration Policy in accordance with sections 139 and 139a of the Danish Companies Act ("Selskabsloven") and the Danish recommendations on good corporate governance.

The Remuneration Policy provides the framework for remuneration paid to the Company's Board of Directors and Executive Management ("**Executive Management**") which here refers to the executive officers registered with the Danish Business Authority.

The overall objective of this Remuneration Policy is to:

- Govern the remuneration of the Board of Directors and Executive Management
- Align the interests of Executive Management and the Board of Directors with the interests of the shareholders
- Attract, motivate and retain qualified members of both the Board of Directors and members of Executive Management
- Contribute to Asetek's overall business strategy of growing the Asetek brand with end users while delivering profitable growth and remaining competitive and to support the short- and long-term objectives of Asetek and the sustainability of the Company

## 2. DECISION MAKING PROCESS AND CONFLICTS OF INTEREST

The Board of Directors will continuously consider the remuneration of Asetek's Executive Management based on recommendations from the Remuneration Committee.

The review and determination of the Remuneration Policy is a key part of the Remuneration Committee's tasks. The Remuneration Policy is reviewed as a minimum once a year to ensure that remuneration of the Board of Directors and of Executive Management is competitive and aligned to Asetek's short- and long-term objectives, the general interest of shareholders and the sustainability of Asetek.

If the Remuneration Committee in the annual review assesses that it is time to revise or adjust the current Remuneration Policy, for instance if it can be adjusted to better support the general interests of the shareholders, it is the Remuneration Committee's responsibility to prepare an updated draft version for the Board of Directors. The Board of Directors are then to make a decision regarding the revised Remuneration Policy in accordance with the Board of Directors' usual decision-making procedure.

If the Board of Directors decide to adopt the Remuneration Committee's proposal to revise the current policy, the revised Remuneration Policy is submitted to the shareholders for consideration and approval at the next Annual General Meeting. A new Remuneration Policy must be submitted, presented and voted upon at the Annual General Meeting at least once every fourth year.

It is the Board of Directors' assessment that there are no conflicts of interest in the determination of the Remuneration Policy as well as the actual remuneration paid to the Board of Directors and Executive Management. This assessment is reliant on the fact that the Board of Directors' remuneration is

approved annually by the shareholders at the General Meeting and that remuneration of Executive Management is determined by the Board of Directors based upon recommendations from the Remuneration Committee.

Asetek's Executive Management will be consulted in connection with the Remuneration Committee's considerations regarding a possible revision of the Remuneration Policy. However, as the remuneration of Executive Management is a key element in the Remuneration Policy, Executive Management has no decision-making power in this regard.

The Remuneration Committee may engage independent advisors when it deems this relevant to support the committee's work. The remuneration to the Board of Directors, as well as Executive Management is set at a level, which is competitive compared to a reference peer group selected with assistance from an independent advisor, of Nordic MidCap companies with a significant international presence (**Reference Peer Group**).

When preparing the Remuneration Policy, the remuneration and conditions of employment of Asetek's other employees have been considered. The remuneration of Asetek's employees follows the same general principles as remuneration of Executive Management, meaning that remuneration is proportionately in line with the responsibility and duties for the respective roles across the organisation. This alignment of remuneration principles supports that remuneration of the regular employees also contributes to Asetek's overall business strategy, the short- and long-term objectives and the sustainability of the Company.

### **3. THE BOARD OF DIRECTORS**

The members of the Board of Directors are elected by the general meeting for the time until the next Annual General Meeting, and receive a fixed annual cash fee approved by the Annual General Meeting and paid quarterly in arrears.

The Chairman of the Board of Directors may in addition to the fixed annual fee for the ordinary Board members receive an additional fee of up to 50% of the member fee. The vice chairman does not receive an additional fee.

The members of the Board of Directors do not receive any additional fees for committee work.

The remuneration to the Board of Directors is set at a level, which is competitive compared to the Reference Peer Group, taking the required qualifications and efforts into account.

Asetek will reimburse reasonable travel and accommodation expenses incurred by a member of the Board of Directors while performing their board duties and committee work.

Asetek may also pay for adequate and relevant training to each member of the Board of Directors.

In addition to the above-mentioned fees, Asetek may pay statutory contributions to social security and similar taxes and charges within the EU / EEA linked to a member of the Board's directorship with the Company.

The remuneration to the members of the Board of Directors may not include incentive pay in any kind or form.

The actual remuneration paid to the Board of Directors will be disclosed in the Remuneration Report, which is presented to the shareholders in connection with the company's Annual General Meeting from 2021 and onwards in accordance with the Danish Companies Act section 139b.

## **4. EXECUTIVE MANAGEMENT**

Asetek is a high-tech growth company that is based in Denmark, with a significant US and China presence and listed in Norway. As a result, the Board has determined that the Reference Peer Group for market practice is with a significant international presence.

Competitive remuneration is considered a key element in attracting a competent and value-adding Executive Management team, that is committed towards value creation in the interest of Asetek and its shareholders. Accordingly, the total remuneration level for Executive Management is targeted to be competitive compared to the Reference Peer Group.

The remuneration structure for Executive Management reflects the Company's desire to offer a market-relevant total remuneration package with an appropriate balance between base salary and variable remuneration, which includes both short and long-term incentive components. Further, the remuneration package is designed to align the interests of members of Executive Management with Asetek's shareholders, overall business strategy, short- and long-term objectives and to support the sustainability of the company.

Accordingly, the remuneration package for Executive Management consists of

- (i) a fixed annual base salary
- (ii) pension contribution
- (iii) a short-term cash bonus
- (iv) a long-term incentive scheme (share based)
- (v) other benefits in the form of usual non-monetary benefits.

Each element of the remuneration package, and the relative proportion between these, has been chosen to support the objectives of the Remuneration Policy, as outlined in section 1 above.

The actual remuneration paid to Executive Management will be disclosed in the Remuneration Report, which is presented to the shareholders in connection with the Company's Annual General Meeting from 2021 and onwards in accordance with the Danish Companies Act section 139b.

### **4.1 Fixed annual base salary**

The members of Executive Management receive a fixed annual base salary as payment for their day-to-day responsibilities.

The fixed annual base salary is based on the scope of the work required, the responsibility assigned to the role and the performance over time of each member of Executive Management. It is based on market practice and is reviewed typically during the month of April by the Remuneration Committee against comparable positions in the Reference Peer Group, with any adjustments taking effect from May 1<sup>st</sup>.

Executive Management will not receive any further remuneration for assisting Asetek's affiliated companies.

#### **4.2 Pension contribution**

The pension contribution paid by Asetek may comprise a maximum of 15% of the fixed annual base salary which is aligned with market practice for comparable companies in the Nordics. The actual amount will be disclosed in the Remuneration Report for the year in question.

#### **4.3 Variable remuneration**

In order to encourage alignment of interest between Executive Management and the shareholders of the Company and to promote long-term value creation through meeting short- as well as long-term objectives, the Board of Directors considers it appropriate that variable remuneration is offered to members of Executive Management.

Variable remuneration may be offered in the form of cash bonus agreements as well as share-based instruments such as performance-based restricted shares or share options.

#### **4.4 Short-term cash bonus**

The purpose of the short-term cash bonus is to provide Executive Management with an annual variable remuneration component that is dependent on performance against specific short-term targets which may be both financial and/or non-financial, and which are included in the annual bonus agreement.

These targets may be financial targets such as, revenue or profitability goals, operational performance measures, as well as strategic targets and other quantifiable and objective targets that are aligned with the immediate strategic priorities of Asetek.

The actual targets for the year in question are proposed by the Remuneration Committee and submitted to the Board of Directors for approval, in order to make sure that the short-term targets are aligned to Asetek's overall business strategy and also support the long-term objectives and sustainability of the Company.

The target cash bonus for each member of Executive Management, depending on the individual role, is normally 10-50% of the fixed annual base salary. The maximum cash bonus achievable for each member of the Executive Management for a single financial year is equal to 100% of the fixed annual base salary.

The Board of Directors will determine the actual bonus to be paid out by measuring the level of achievement of the performance on financial metrics for the Company and also on other measurable personal objectives of a financial or non-financial nature.

#### **4.5 Long-term incentive scheme**

The purpose of the long-term incentive scheme is to reward Executive Management for dedicated and concentrated results that achieve and support Asetek's long term interests, continued high growth ambitions, and the sustainability of the business. Further, the long-term incentive scheme incentivizes the retention of members of Executive Management and supports the alignment with shareholder interests. This is achieved by linking the value of the long-term incentive directly to the performance of Asetek's share price by grant of share-based incentives to Executive Management, which may include either performance-based restricted shares (PSUs) and/or stock options.

The Remuneration Committee has assessed that Asetek's continued long term performance and sustainability is reflected in the share price. Accordingly, the Committee has assessed that stock options continue to be particularly suited to reward Executive Management for longer term high growth results, which benefit both the company and its shareholders. However, the Remuneration Committee will annually review whether the PSUs would even better align the interests of the Company, its shareholders and the Executive Management.

In any given financial year, the total aggregated number of any outstanding share-based instruments granted under the long-term incentive scheme cannot exceed 10% of the total number of outstanding shares in the Company.

#### **4.5.1 Grant limits for share-based remuneration**

The members of Executive Management may be granted stock options or PSUs on an annual basis with a combined value corresponding to a certain percentage of the individual Executive Management member's fixed annual base salary. The annual grant is typically 25-40% of the fixed annual base salary, depending on the individual role, though this can vary within a range of 25% to 75% of the fixed annual base salary.

For any given financial year, the total value of any share-based remuneration cannot exceed 100% of the fixed annual base salary for each member of the Executive Management at the time of grant.

The value of the stock options is determined in accordance with recognized valuation methods, such as the Black Scholes formula.

For annual PSU grants, the value of the PSUs is determined as the simple average of the closing price of the Asetek share for a period of five trading days following the publication of the Company's annual report. If exceptional grants need to be made during the year, a similar principle using a 5 day average share price prior to the grant date will be applied to determine the value of the PSUs.

#### **4.5.2 Terms for the stock options**

Members of Executive Management may be eligible to receive stock options free of charge.

##### **4.5.2.1 Vesting**

The stock options vest after three years and are not subject to any performance targets other than the share price which must be higher at the time of vesting than at the time of grant in order for the stock options to have any value.

Vesting of the share options will further be conditional upon continued employment of the relevant member of the Executive Management at the time of vesting. If a member of the Executive Management leaves Asetek before the time of exercise, such member will forfeit their right to all share options that have not vested or which have vested but not been exercised at the termination date.

##### **4.5.2.2 Exercise**

The stock options have a total lifetime of five years, which is aligned to Nordic market practice. This means that the stock options granted to Executive Management members have an exercise period of two years, after which the stock options lapse.

The exercise price of the stock options will be equal to the market price of the Company's shares at the time of grant.

#### **4.5.3 Terms for the PSUs**

Members of Executive Management may be eligible to receive performance-based restricted shares (PSUs) free of charge. As with stock options, PSUs support the alignment with shareholder interests by linking directly to the performance of Asetek's share price. PSUs further supports Asetek's growth by rewarding company performance against up to two key financial metrics (for example revenue growth, EBITDA improvement, or similar financial measures) assessed to be suitable by the Remuneration Committee.

PSUs vest after three years subject to performance towards a specific and measurable target or set of targets, and to the continued employment of the Executive Management member. Granted PSUs are not eligible for dividends.

#### **4.6 Clawback**

In the event of serious misconduct, or if an annual bonus, long-term incentive award or other form of variable remuneration is made on the basis of accounts, which later prove to be materially misstated, Asetek may reclaim from Executive Management, in full or in part, any over-payment from such variable remuneration.

#### **4.7 Other benefits and travelling expenditures**

Asetek may offer a number of market aligned work-related benefits to the members of Executive Management including, but not limited to: relevant training, mobile telephone, newspapers, company car, computer and broadband connection. The extent of such work-related benefits will be agreed upon with each member of Executive Management, based on market practice and Asetek's internal policies.

Further, Asetek will reimburse all reasonable travel and business expenses incurred by a member of Executive Management in line with internal policies.

The Remuneration Committee may, on behalf of the Board of Directors, make customary adjustments to the employment terms of Executive Management including the benefits and car arrangements.

#### **4.8 Termination and severance pay**

The specific terms regarding termination, including severance payments, for members of Executive Management is determined on a case-by-case basis by the Board of Directors

Asetek may terminate the employment of a member of Executive Management with the notice required to be given in the Executive Service Agreement, which may not exceed 12 months. A member of Executive Management may terminate the employment by giving Asetek a notice of up to six months.

In line with relevant market practice, special conditions apply in case a member of Executive Management elects to terminate their contract during a change of control event. During such an event, members of Executive Management may be entitled to a severance payment corresponding to a maximum of 50% of the annual base salary. This severance is in addition to the existing notice period.

The maximum aggregated remuneration including severance pay to members of Executive Management in the notice period cannot exceed a value corresponding to 24 months total remuneration.

#### **4.9 Existing incentive plans**

Agreements about remuneration to the Executive Management and the Board of Directors entered into before the adoption of this Remuneration Policy will continue on the already-agreed terms. Any amendment of existing agreements, as well as conclusion of new agreements with the members of Executive Management and the Board of Directors will be subject to this Remuneration Policy.

In addition, from 2021, all new grants of share-based incentives will be made in accordance with this Remuneration Policy.

### **5. DEVIATION FROM THE REMUNERATION POLICY IN EXCEPTIONAL CIRCUMSTANCES**

The Board of Directors may in exceptional circumstances deviate from the Remuneration Policy if the Board of Directors assesses that a derogation is necessary to support the long-term interests of the Company and its shareholders, including the sustainability of Asetek and its business. Such an event of exceptional circumstances, could include, but is not limited to: 1) the acquisition of a controlling shareholding in Asetek 2) a takeover bid 3) a merger or demerger 4) other M&A activities 5) recruitments into Executive Management.

In such a situation, the Board of Directors may decide to deviate from the Policy to safeguard the long-term interests of the Company and its shareholders. The Board may offer extraordinary compensation such as additional share awards or other remuneration when deemed appropriate. Such discretion shall only be approved based on verifiable criteria, and application of the derogation will be disclosed in the Remuneration Report for the respective financial year. If the extraordinary compensation is in the form of share awards, these will be granted in accordance with the terms in section 4.5.

Further, to ensure that the Board of Directors has the appropriate flexibility to ensure that the application of the LTI is in the long-term interests of Asetek, its shareholders and of the sustainability of Asetek in cases of exceptional circumstances, the Board of Directors has a contractual discretionary right under the terms of the LTI to amend its terms. This discretion includes, but is not limited to (i) the timing of the grants, (ii) the size of the grants, subject to the overall limits in this Remuneration Policy, (iii) the determination of vesting conditions, including eventual performance metrics, (iv) adjustment of the exercise price and number of share options, (v) early vesting or exercise of share options and (vi) the treatment of the share options in the case of resignations, change of control, a merger, rights issue or other events.

### **6. AMENDMENTS COMPARED TO FORMER VERSION OF REMUNERATION POLICY**

The majority of the amendments to this Remuneration Policy compared to the previous version are a consequence of the Shareholders Rights Directive being implemented into law in June 2019 (Section 139a of the Danish Company Act).

From 2021, the lifetime of the stock options granted under the long-term incentive scheme has been reduced from seven to five years, and the vesting period has been aligned to 3 years instead of 4. This has been done to better align with the Company's growth strategy and also to reduce the number of outstanding stock options relative to the total number of outstanding shares over time, building on feedback received from shareholders in 2020.

**7. DISCLOSURE AND APPROVAL OF THE REMUNERATION POLICY**

This Remuneration Policy has been approved by the Board of Directors on March 29, 2021. Subject to the approval of the Annual General Meeting on April 22, 2021, the Remuneration Policy will be published on Asetek's website ([www.asetek.com](http://www.asetek.com))