Executive Remuneration Policy

Presented for approval at the annual general meeting in IDEX Biometrics ASA on 16 May 2024.
Changes from the previous policy, other than purely editorial, are tracked.

This policy has been prepared by the board of directors of IDEX Biometrics ASA (IDEX) in accordance with Section 6-16a of the Norwegian Public Limited Liability Companies Act. The policy applies to the remuneration of the company's executive officers, currently the Chief Executive Officer, Chief Financial Officer, ~~and~~ Chief Technology Officer and Chief Commercial Officer. The board may determine whether the policy shall also apply to other employed executives. The policy also applies to remuneration to elected board members for any remuneration for services beyond the tenure at the board.

The purpose of the policy is to attract and retain the executives that the company needs. The policy seeks to align the interests of the executives and the shareholders and to continuously improve sustainable performance.

Executive remuneration should reflect the demands of the executive positions, and be competitive, transparent and administratively efficient.

This policy does not introduce any material change from previous established practice.

Alignment to strategy, long-term interests, and sustainability

IDEX needs competent, capable and motivated executives to implement its strategies and successfully conduct the company's operations. To attract and retain such executives, the remuneration needs to be competitive, and should be designed to align the interests of the company and its executives. The incentives are therefore based on the company's objectives. The share-based incentives seek to balance short-term attractiveness and long-term commitment.

The company offers a combination of fixed and variable pay elements.

Governance

On an annual basis the compensation committee shall review the terms of this policy, to determine if any revisions are necessary. Where revisions are required, the compensation committee shall make proposals to the board which, if significant and subject to board approval, are explained by the board to the annual general meeting for approval. In the absence of any significant revisions, the executive remuneration policy shall be presented and explained by the board to the annual general meeting every four years at minimum. At each annual general meeting, the board shall present a remuneration report for the previous financial year. The policy and the reports shall be available on the company's website.

In the event of significant changes to these guidelines, such changes shall be described and explained herein. The guidelines shall describe and explain how the shareholders' views on the guidelines, the general meeting's vote and the salary reports since the previous vote on the guidelines, have been taken into account.

The duties of the board's compensation committee specifically are to prepare and propose recommendations on compensation matters, including reviewing and recommending a compensation policy for the CEO and the executives reporting directly to the CEO, for the board to resolve. The compensation committee aims to ensure that these compensation matters are designed to promote the company's long-term success, and are consistent with the approach applicable for the workforce at large. The board remains the decision-making authority in regard to such matters.

The board determines the salary and other remuneration to the CEO. The CEO determines the salary and other remuneration of the other executives, within the framework set by the board.

Components of Remuneration

IDEX practices the same remuneration components to its executives as to the employees at large:

- Base pay
- Variable cash pay
- Share-based programs
- Insurance, retirement and other benefits

Base pay
The base pay is a fixed cash salary. The base pay shall be in line with the market for corresponding jobs in the industry and location. Position scoping is based on job content. Within scope, the pay can be adjusted to reflect the individual's expertise and performance. The scoping and level within scope is normally reviewed annually.

Variable cash pay
The company's annual variable pay program for the executives includes revenue generation as a gating and scaling component. In addition, various financial and operational components like product margin, operating expense, product development, supply chain performance and organizational improvement are factored in. The components are defined and measurable.

In addition to the revenue component, additional metrics typically comprise the following:

- Commercial and product metrics, including gross margin, product development, certifications and technology roadmap milestones;
- Operational metrics focused on operating expenses and on-time delivery targets; and
- Organizational metrics typically derived from actions highlighted in the company's annual employee survey.

The components are selected from the company's business strategy and operational plans. The variable elements of the remuneration shall promote the company's goals and align employees' and shareholders' motivation. Full "on-target" achievement is expressed as a percentage of base pay, up to 100%. In order to have the ability to recognise instances of significant revenue and profitability achievements, variable pay awards may exceed on-target levels if certain key company performance metrics within the plan have been exceeded in any particular year, but may not exceed 200% of annual base pay.

The variable pay award is normally settled in cash. The board may also agree to settle all or part of the award in shares. The variable pay award is paid pro rata when the executive has not served the full bonus period. The award is normally paid only if the executive remains employed on the settlement date.

The board may offer specific one-off bonus payments related to successful completion of certain key projects. Such bonuses will be in addition to any annual variable pay award. Such one-off bonuses may not exceed 25% of annual base pay in a calendar year.

~~Bonuses are paid only in arrears. IDEX's employment agreements do not have any clawback provisions. In cases of misconduct and misinformation, clawback may or may not be successful based on applicable legislation.~~

Share-based programs
The executives participate in the same share-based programs that are in effect for all employees; currently the subscription rights-based incentive program (SR program) and the employee share purchase plan (ESPP). The share-based remuneration programs are each year presented to and resolved by the annual general meeting before they are implemented by the board. To align the executives' financial interest with the shareholders', the SR program will yield a gain to the executives only if the share price increases, and a four-year vesting period balances short-term attractiveness and long-term retention effect. The ESPP is designed to motivate executives to invest in the company. By investing in the company, the executives will have joint interests with the shareholders at large.

The share-based incentive program has in the past been based on a grant of subscription rights with exercise price *at-the-money* on the grant date. The option value of new hire grants on grant date have been in the bracket 50%-200% of annual base pay. The bracket is wide because the share-based incentive element must be tailored to the role and should also be reflective of market compensation practice in the location from which the role is based. This element must also provide a strong incentive for key executives to create shareholder value.

Subject to the board's discretion, the exercise price may also be set below market price on the grant date for up to 1% of the registered number of shares in company as of the 2024~~1~~ Annual General Meeting, but under no circumstance lower than the par value of the shares. There have generally not been practiced any lock-up periods after vesting, but this may be determined by the board if the board considers it to be in the long-term interest of the company. As share-based incentives become vested, the company has a practice of making annual new grants at about ¼ value of the new hire grant. The board intends to maintain this structure in future proposals to the annual general meeting.

The ESPP allows the executive to convert up to 20% of the base salary into shares, by contributing an amount from each paycheck during six months, and purchasing new issue shares at 15% discount on lower of the share price at beginning and end of the contribution period.

Any gains from the SR program and the ESPP to the executives are funded by share price increases, and will under all likely scenarios cause a net cash inflow to the company.

Insurance, retirement and other benefits
Executives are enrolled in the same insurance, retirement and other benefits programs as offered to all employees in the same location. The company does not offer any retirement schemes to executives other than contribution to insured retirement plans or retirement investment, as customary in the location. Where provided, contributions to the retirement plan are earned only on base pay, unless additional contributions are legally mandated in the location.

D&O insurance and indemnification agreements

~~ADSs representing the company's shares are listed on the Nasdaq Capital Market in the United States. The company and its directors and officers are subject to incremental liability in the U.S., and t~~The board has determined that, in order to attract and retain qualified individuals to the board and executive management, the company will maintain, on an ongoing basis, at its expense, liability insurance to protect directors and officers in the company from certain liabilities. ~~Upon recommendation from the nomination committee and approval by the general meeting of shareholders, t~~The company has contractually obligated itself to indemnify, and to advance expenses on behalf of, the directors and officers to the fullest extent permitted by applicable Norwegian law so that they will serve or continue to serve the company free from undue concern.

Malus and clawback

Any remuneration paid or delivered to the executive under the company's performance incentive plans, including but not limited to annual variable cash pay, bonuses and shares, as well as any vested right to such remuneration, is subject to malus and clawback by the company. Examples of circumstances where this may apply include, but are not limited to the following:

- a significant downward restatement of the financial results of the company;
- a material misstatement of the company's financial statements
- misleading data and/or there is an error in the information, assumptions or calculations on the basis of which the award was granted or paid out or vested
- reasonable evidence of gross misconduct or gross negligence by the executive;
- reasonable evidence of material breach by the executive of the company's code of business ethics and/or business policies;
- breach of restrictive covenants by which the executive has agreed to be bound; and/or
- reasonable evidence of conduct by the executive that results in significant losses or reputational damage to the company, or which is likely to bring the company into disrepute in any way

Malus: The company may, at its discretion, at any time prior to the performance-related remuneration vesting or being paid, decide that some or all of the executive's performance-related remuneration (which is subject to this malus and clawback provision) will be reduced, lapse or be subject to additional conditions, or the delivery of the performance-related remuneration will be delayed.

Clawback: The company may, at its discretion, require the executive to repay to the company an amount equal to the after-tax value of some or all of any cash awards or shares received, or require the executive to transfer some or all of the company shares which have previously vested for nil consideration. The company may also withhold sums from any other remuneration to off-set the clawback value required. These clawback options may be applied within two years of the performance-related remuneration being provided to the executive.

Enforcement of the provision will be subject to local law.

Comparison to remuneration of other employees

The remuneration elements and programs are the same for executives as for employees at large. Base pay amounts, on-target variable pay rate, upfront value of share-based incentives, as well as the other benefits to executives, are determined based on level and location. The company considers three main elements in designing the compensation framework for these elements; external data sources such as Radford Data & Analytics to ensure market alignment and competitiveness, internal comparisons to ensure fairness and equality, and any factors critical to the company's strategy, such as key growth areas, skill shortages and specialist knowledge.

Group service

Executives do not receive any additional compensation for serving as board members of subsidiaries in the group. Travel and other out-of-pocket expenses in connection with such duty is refunded per normal expense refund practices. The CEO of the parent company is also CEO for the group and performs this duty as a part of the CEO's employment in the company for no additional remuneration.

Extraordinary circumstances

In extraordinary circumstances, certain individual executives may be offered a one-off payment in connection with recruitment, retention or termination, or extraordinary work beyond usual duties. Such payment may not exceed 50% of the executive's base pay in a year.

Termination and severance

IDEX's employment agreements include termination clauses and notice periods as customary for the position in the relevant location. The mutual notice period is normally 3 to 6 months. There are no contractual agreements that include severance pay. The board may offer up to 6 months' severance pay in situations where that is appropriate.

The employment agreements include post-termination non-competition clauses up to 12 months if allowed in the location.

The company does not operate any early retirement programs. Minimum ages at which pension earnings may be claimed are determined in line with the terms set by the pension provider in each location, rather than by the company.

Deviation from these guidelines

In the rare circumstance that temporary deviation from the foregoing guidelines, entirely or partly, for an individual executive is justified in view of the common interests of the company and its shareholders, the board may decide to do so, but only in special circumstances and to the extent such deviation is necessary to satisfy the long-term interests of the company. Deviation may be considered for any of the components of remuneration. The reasons for deviating from these guidelines shall be stated in the minutes from the board meeting. Any such deviation shall also be disclosed in the annual remuneration report presented to the annual general meeting.

Legal framework

IDEX respects the legal framework where it operates. If the legal framework in the location where an executive is employed mandates deviations from the foregoing, IDEX will comply to the applicable requirements with the view that the resulting remuneration shall be as close as possible to the foregoing.

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