

NEXT Biometrics Group ASA

Annual Remuneration Report 2022

1 CONTEXT FOR THE REMUNERATION REPORT

This Remuneration Report describes the principles for the remuneration of the members of the Board of Directors (the Board), the Chief Executive Officer (CEO) and of the members of Executive Management Team of NEXT Biometrics Group ASA (NEXT), and how these principles have resulted in actual remuneration. The Remuneration Policy is designed to attract, retain and motivate the Board members, the CEO and the Executive Management Team at a competitive level. Remuneration is designed to align the interests of the executives with those of the shareholders. The Remuneration Report complies with the requirements defined in the Norwegian Public Limited Companies Act § 6-16a and 6-16b.

REMUNERATION COMMITTEE

The Board has a Remuneration Committee consisting of two Board members (Odd-Harald Hauge (Chair) and Siri Børsum). This committee has been established to ensure that remuneration arrangements support the strategy of the business and enable the recruitment, succession planning and leadership development, and motivation and retention of senior executives. It needs to comply with the requirements of regulatory and governance bodies and satisfy the expectations of shareholders. We value ongoing dialogue with our shareholders and other stakeholders to ensure that our Remuneration Policy remains fit for purpose and helps drive execution of NEXT's strategy.

Further, the committee shall ensure that the overall organizational structure is set up to deliver on the company's strategy going forward.

The Committee has in 2022 focused on:

- Discussing the performance achievement in 2022 as well as reviewing the NEXT's short-term and long-term incentive plans.
- Reviewing the peer group used for benchmarking of executive remuneration.

2 REMUNERATION OF THE BOARD

The remuneration of the Board members in 2022 is not performance based but based on a fixed annual fee. None of the shareholder-elected Board members have pension schemes or termination payment agreements with the company. The Board of Directors was a part of the company's long-term incentive program in 2019 and 2020 (NEXT stock options program). The board members were not a part of the company's 2021 stock option program. One new board member was awarded 200,000 stock options in the 2022 stock option program. The General Meeting decides the remuneration of the Board and the sub-committees. The Nomination Committee proposes the remuneration of the Board to the General Meeting and ensures that it reflects the responsibility of its members and the time spent on Board work. The Board must approve any Board member's consultancy work for the company and remuneration for such work. Information about all remuneration paid to individual Board members is provided in Note 20 in the NEXT 2022 annual report.

The development of the fixed fee remuneration for the Board of Directors can be found in table 1. The fixed fee remuneration for the Board of Directors has remained unchanged from 2020-2022 while additional fees for participation in board committees were removed from 2020 onwards.

Table 1 - Board and committee fee levels 2020-2022

Amounts in NOK 1000	2022	2021	2020
Chairman of the board	500	500	500
Board member	200	200	200
Audit committee, Chair	-	-	-
Audit committee, member	-	-	-
Remuneration committee, Chair	-	-	-
Remuneration committee member	-	-	-
Nomination committee, chairman	30	30	30
Nomination committee, member	20	20	20

Notes:

Reflects remuneration paid to board and committee members from May 2020 to May 2021 (2020), May 2021 to May 2022 (2021) and May 2022 to May 2023 (2022).

The Board of Director's holdings of shares in the NEXT as per 31 December 2022 can be found in Note 19 in the NEXT 2022 annual report. Moreover, the fair value of options awarded to Siri Børsum was NOK 96,488.

The Board of Director's holdings of options in the NEXT as per 31 December 2022 and changes during 2022 is provided in table 2 below. Odd Harald Hauge holds options in the 2020 option program that expires on 19 June 2023. Emine Lundkvist and Petter Fjellstad hold options both in the 2020 option program (with expiration date as set out above) and in the 2019 program that expires on 20 May 2025. Siri Børsum holds options in the 2022 option program that expires on 1 June 2025. None of the currently outstanding board of directors share options are subject to a holding period or performance conditions.

Table 2 - Overview of board of directors holding of stock options as per 31 December 2022

Board of director name:	Accumulated quantity options awarded as per 1 January 2022	Awarded options	Expired/adjusted options	Exercised options	Accumulated quantity unvested options as per 31 December 2022	Accumulated quantity vested options as per 31 December 2022	Sum accumulated outstanding options as per 31 December 2022	Average exercise price outstanding options
Petter Fjellstad, Chairman	1 030 000	-	-	-	-	1 030 000	1 030 000	2.66
Odd Harald Hauge	200 000	-	-	-	-	200 000	200 000	2.49
Emine Lundkvist	230 000	-	-	-	-	230 000	230 000	3.27
Siri Børsum	-	200 000	-	-	100 000	100 000	200 000	4.89
Total	1 460 000				100 000	1 560 000	1 660 000	

3 REMUNERATION OF EXECUTIVE PERSONNEL

The Executive Management received an annual remuneration in accordance with the Remuneration Policy, which may consist of the following fixed and variable remuneration components:

- Base salary
- Pension
- Contribution in kind/benefits
- Performance-based bonus
- Long-term incentive plan (option program)

The remuneration package of the Executive Management is guided by our Policy and are set to support business needs with a clear link to the business strategy and shareholders' interests.

Members of the Executive Management do not receive any additional fees from participation in committees or other internal Board positions within the NEXT Biometrics Group.

Members of the Executive Management in 2021 and 2022 are Peter Heuman (CEO), Ulf Ritsvall (SVP Sales and Marketing) and Eirik Underthun (CFO). Further, Peter Heuman was hired as CEO in September 2019 and Eirik Underthun was CFO from February 2020 onwards.

FIXED PAY – BASE SALARY

Base salary levels are determined considering the nature of the individual role, individual considerations, the market positioning, and remuneration conditions at NEXT Biometrics. The base salary is reviewed annually to ensure that it is set at the right level and potential annual percentage increases are aligned with those of employees in general, except in specific circumstances. The CEO base salary is determined by the Board. Adjustment of the base salaries for other senior executives is decided by the CEO with input from the Board.

During 2022 there were no extraordinary pay /remuneration items relating to Executive Management compensation.

FIXED PAY – PENSION

Pension for NEXT employees and executive management is based on a defined contribution plan, and is capped at twelve times the National Insurance scheme basic amount (12G) for all employees including the executive management. Still, the CEO is entitled to a pension benefit of 15% of annual target salary (base salary plus bonus). The CEO's pension benefits for the salary and bonus amount that is in excess of the National Insurance scheme contribution is paid out annually (unfunded defined contribution plan) and is included in the base salary category in NEXT remuneration reporting.

VARIABLE PAY – BONUS

The company's bonus system is designed to promote performance in line with the company's strategy. The bonus for the CEO and Executive Management Team, is determined by a qualitative assessment of the company's performance on a set of key performance indicators (KPIs) and Company Priorities, which include financial KPIs, product development, design wins, sales and marketing initiatives that are critical for the company's future success. The bonus is awarded annually (one-year) based on

achieved performance. The financial KPIs include revenues, adjusted gross margin and adjusted EBITDA. See page 75 in the NEXT 2022 annual report for definitions of NEXT's adjusted performance metrics.

The resulting financial KPIs and Company Priorities status are assessed by the Remuneration Committee in the process of deciding the final bonus outcome. Accordingly, the committee may exercise its discretion to decide the final bonus outcome upwards or downwards. NEXT's financial KPIs for 2022 includes total revenues, Adjusted gross margin and Adjusted EBITDA. The CEO has maximum bonus potential corresponding to 50 percent of salary. For other members of Executive Management Team, the maximum bonus varies from 0 percent to 30 percent of base salary. There is currently no bonus program agreed for employees outside the Executive Management team. The CEO was awarded a bonus in 2022 by the board of directors. No other members of the Executive Management team were awarded a bonus. The CEO bonus award was based on the recommendation from the Remuneration Committee. When reaching the conclusion on performance achievement in 2022, the Remuneration Committee performed a qualitative assessment of overall performance, which was based on the achievement of the company's cost reduction program, increase in number of design wins and new customer contracts/purchase orders. See also summary below for further details on NEXT's progress in 2022.

Performance achievement in 2022 can be summarized by a slight decrease in Adjusted gross margin from 32% in 2021 to 30% for 2022. OPEX ex options and COVID-19 relief¹ was NOK 2.6 million lower in 2022 compared to 2021. The adjusted EBITDA in 2022 improved by NOK 1 million relative to 2021 (when adjusting for US COVID-19 relief in 2021). NEXT announced 12 additional design wins during 2022, which will contribute to future revenue growth. NEXT also announced further progress in India with new purchase orders and added multiple distributors in Asia and the Americas during 2022.

OTHER PAY - LONG-TERM INCENTIVE PLAN

In line with our Policy, Executive Management and key employees received annual grants under the long-term incentive plan in 2022 in the form of stock options. The total reported remuneration to members of the Executive Management for 2022 can be found in table 3, which also includes the annual grant value of share-based long-term incentive awards during 2022. The 2022 Employee Stock Option Plan has a vesting period of three years followed by an exercise period up and until June 2025. The 2021 Employee Stock Option Plan has a vesting period of three years followed by an exercise period up and until June 2024. The 2020 Employee Stock Option Plan had a vesting period of two years followed by an exercise period up and until June 2023. All options under the 2020 Employee Stock Option Plan have vested as per 31 December 2022. NEXT management also holds options under the 2019 Employee Stock Option Plan that have fully vested and an exercise period up and until December 2025. The NEXT option plans are described in Note 19 in the NEXT 2022 annual report.

The Remuneration Report and the company's Annual Report 2022 utilizes the same methodology for calculating and reporting the value of granted options and compensation cost.

There is no capping of the maximum total payment that can result from the exercise of employee stock options. Moreover, there is no possibility for the company to reclaim remuneration that are paid out that results from the exercise of employee stock options. Still, there is a possibly to cancel any

¹ NEXT booked NOK 7.8 million in US COVID-19 relief in 2021 as a reduction in Operating Expenses

unexercised stock options following summary dismissal of an Option Holder's employment for Cause due to gross breach of duty or other serious breach of the contract of employment in accordance with section 15-14 of the Norwegian Working Environment Act. No base salary, bonus or long-term incentive plan awards from previous years have been clawed back from members of the Executive Management team.

OTHER TERMS AND BENEFITS

The CEO has a 6-month mutual notice period. The other members of the NEXT Executive Management have 3 months mutual notice period. Executives receive non-monetary benefits such as mobile phones/subscriptions, broadband etc. aligned with local practice. The below table shows the remuneration for the executive management team in NEXT Biometrics for 2020, 2021 and 2022. The bonus column reflects paid bonus during the period.

There were no changes in NEXT's Executive Management team during 2022.

Table 3 - Executive remuneration 2020-2022

NOK 1 000		Fixed remuneration			Variable remuneration	Long-term incentive plan		
		Salary	Other benefits	Pension cost	Bonus	Fair value granted options	Total remuneration	Proportion of fixed and variable remuneration
CEO	2022	3 493	4	162	800	1 509	5 968	87% / 13%
	2021	3 534	4	145	1 700	3 209	8 592	80% / 20%
	2020	3 148	7	110	377	2 594	6 236	94% / 6%
CFO ¹⁾	2022	1 805	4	162	-	704	2 675	100% / 0%
	2021	1 731	5	145	-	1 257	3 138	100% / 0%
	2020	1 451	7	119	-	987	2 564	100% / 0%
SVP Sales and marketing ²⁾	2022	1 706	2	-	-	1 402	3 110	100% / 0%
	2021	366	5	-	-	180	551	100% / 0%
Former management team members:								
	2020	1 703	2	19	-	-678	1 046	100% / 0%
	2020	2 732	1 030	-	-	722	4 484	100% / 0%

¹⁾ Current CFO effective from 29 February 2020.

²⁾ Current SVP sales and marketing was effective from 18 October 2021.

³⁾ Knut Stålen was CFO until 29 February 2020.

⁴⁾ Dan Cronin was COO until 31 October 2020.

The Executive Management's holdings of options in the NEXT as per 31 December 2022 can be found in table 4 below. None of the currently outstanding management share options are subject to a holding period or performance conditions.

Table 4 - Executive team holdings of options as per 31 December 2022

Name of Director, position	The main conditions of share option plans						Information regarding the reported financial year							
							During the year					Share options awarded and unvested	Share options vested	Sum options outstanding
							Share options awarded at the beginning of the year	Share options awarded	Share options vested	Share options awarded and unvested	Share options vested			
CEO	02.12.2019	02.12.2020	2/12/2020 to 1/12/2025	3,13	36 666	-	-	-	36 666	36 666				
CEO	02.12.2019	02.12.2020	2/12/2020 to 1/12/2025	3,13	36 666	-	-	-	36 666	36 666				
CEO	02.12.2019	02.12.2021	2/12/2021 to 1/12/2025	3,13	36 667	-	-	-	36 667	36 667				
CEO	02.12.2019	02.12.2021	2/12/2021 to 1/12/2025	3,13	36 667	-	-	-	36 667	36 667				
CEO	02.12.2019	02.12.2022	2/12/2022 to 1/12/2025	3,13	36 667	-	36 667	-	36 666	36 667				
CEO	02.12.2019	02.12.2022	2/12/2022 to 1/12/2025	3,13	36 667	-	36 667	-	36 667	36 667				
CEO	19.06.2020	30.08.2020	30/8/2020 to 19/6/2023	2,49	1 250 000	-	-	-	1 250 000	1 250 000				
CEO	19.06.2020	30.08.2021	30/8/2021 to 19/6/2023	2,49	1 250 000	-	-	-	1 250 000	1 250 000				
CEO	25.05.2021	30.08.2021	30/8/2021 to 19/6/2024	5,97	666 667	-	-	-	666 667	666 667				
CEO	25.05.2021	30.08.2022	30/8/2022 to 19/6/2024	5,97	666 666	-	666 666	-	666 667	666 667				
CEO	25.05.2021	30.08.2023	30/8/2023 to 19/6/2024	5,97	666 667	-	-	666 667	-	666 666				
CFO	19.06.2020	30.08.2021	30/8/2020 to 19/6/2023	2,49	500 000	-	-	-	500 000	500 000				
CFO	25.05.2021	30.08.2021	30/8/2021 to 19/6/2024	5,97	266 666	-	-	-	266 667	266 667				
CFO	25.05.2021	30.08.2022	30/8/2022 to 19/6/2024	5,97	266 667	-	266 667	-	266 667	266 667				
CFO	25.05.2021	30.08.2023	30/8/2023 to 19/6/2024	5,97	266 667	-	-	266 667	-	266 666				
CFO	01.06.2022	30.08.2022	30/8/2022 to 1/6/2025	4,89	-	66 666	66 666	-	66 666	66 666				
CFO	01.06.2022	30.08.2023	30/8/2023 to 1/6/2025	4,89	-	66 667	-	66 667	-	66 667				
CFO	01.06.2022	30.08.2024	30/8/2024 to 1/6/2025	4,89	-	66 667	-	66 667	-	66 667				
SVP Sales and marketing	21.09.2021	30.08.2022	30/8/2022 to 19/6/2024	7,45	150 000	-	150 000	-	150 000	150 000				
SVP Sales and marketing	21.09.2021	30.08.2023	30/8/2023 to 19/6/2024	7,45	150 000	-	-	150 000	-	150 000				
SVP Sales and marketing	21.12.2021	30.08.2022	30/8/2022 to 19/6/2024	6,65	50 000	-	50 000	-	50 000	50 000				
SVP Sales and marketing	21.12.2021	30.08.2023	30/8/2023 to 19/6/2024	6,65	50 000	-	-	50 000	-	50 000				
SVP Sales and marketing	01.06.2022	30.08.2022	30/8/2022 to 1/6/2025	4,89	-	433 333	433 333	-	433 333	433 333				
SVP Sales and marketing	01.06.2022	30.08.2023	30/8/2023 to 1/6/2025	4,89	-	433 333	-	433 333	-	433 333				
SVP Sales and marketing	01.06.2022	30.08.2024	30/8/2024 to 1/6/2025	4,89	-	433 334	-	433 334	-	433 334				
SVP Sales and marketing	14.12.2022	30.08.2023	30/8/2023 to 1/6/2025	4,48	-	100 000	-	100 000	-	100 000				
SVP Sales and marketing	14.12.2022	30.08.2024	30/8/2024 to 1/6/2025	4,48	-	100 000	-	100 000	-	100 000				

COMPARATIVE INFORMATION ON THE CHANGE OF REMUNERATION AND COMPANY PERFORMANCE

The below table 5 shows comparative information on the change of remuneration for each individual executive director over the five most recent financial years, in comparison with some selected company performance measures and average remuneration for all employees that can be found in table 6.

Table 5 - Change in Executive remuneration 2017-2022

Senior Executives (amounts in NOK 1 000)	2018 VS 2017		2019 VS 2018		2020 VS 2019		2021 VS 2020		2022 VS 2021	
	Δ	Δ%	Δ	Δ%	Δ	Δ%	Δ	Δ%	Δ	Δ%
CEO ¹⁾	-	-	-	-	3 282	111 %	2 356	38 %	-2 624	-31 %
CFO	-	-	-	-	-	-	301	11 %	-463	-15 %
SVP Sales and marketing ²⁾	-	-	-	-	-	-	-	-	465	18 %
Former members of the executive management team:										
Ritu Favre, CEO ³⁾	-10 295	-65 %	-1 380	-25 %	-	-	-	-	-	-
Tore Etholm-Idsøe, CEO	-	-	-	-	-	-	-	-	-	-
Knut Stålen, CFO ⁴⁾	76	3 %	438	15 %	-1 425	-43 %	-	-	-	-
Dan Cronin, COO/CEO	-1 119	-24 %	948	27 %	36	1 %	-	-	-	-
Dr. Matias Troccoli, CTO	-986	-26 %	-	-	-	-	-	-	-	-
Dr. Robert Mueller, VP of Biometric Solutions Group	-231	-9 %	-837	-36 %	-	-	-	-	-	-
Charles Ng, VP Sales, Americas	119	5 %	-	-	-	-	-	-	-	-
Alain Faburel, Chief Sales and Marketing Officer	-	-	15	1 %	-	-	-	-	-	-
Zehira Dadon-Sitbon, Chief of Staff & HR Officer	-544	-17 %	-120	-5 %	-	-	-	-	-	-
Radek Matyasek, SVP Sales Europe, Asia & India	-207	-8 %	-	-	-	-	-	-	-	-
Campbell Kan, VP Operations & Asia sales	186	6 %	-	-	-	-	-	-	-	-

¹⁾ Change 2020 vs 2019 largely reflects increased share option remuneration expense. Change 2022 vs 2021 reflects reduced share option remuneration expense and lower bonus in 2022.

²⁾ Current SVP sales and marketing was effective from 18 October 2021

³⁾ Change 2018 vs 2017 largely reflects lower share option remuneration expense in 2018. Change 2019 vs 2018 reflects negative share option remuneration expense in 2019 as a result of cancelled options in connection with end of employment.

⁴⁾ Change 2020 vs 2019 largely reflects negative share option remuneration expense in 2020 as a result of cancelled options in connection with end of employment

Table 6 - Key financial KPIs and change in remuneration per full time equivalent employee 2017-2022

Company performance (amounts in NOK 1 000)	2018 VS 2017		2019 VS 2018		2020 VS 2019		2021 VS 2020		2022 VS 2021	
	Δ	Δ%								
Total revenues	10 233	10 %	-23 956	-22 %	-26 303	-31 %	-7 377	-13 %	-2 462	-5 %
Adjusted gross margin ¹⁾	36 635	626 %	-7 236	-24 %	-13 448	-57 %	6 228	62 %	-1 624	-10 %
Adjusted EBITDA	11 997	7 %	7 528	5 %	64 412	45 %	45 543	59 %	-6 821	-21 %
Average change in remuneration per full time equivalent employee (amounts in NOK 1 000) ²⁾										
	Δ	Δ%								
NEXT Biometrics Group ASA	125	17 %	6	1 %	19	2 %	28	3 %	0	0 %

¹⁾ Please refer to explanation in the Alternative Performance Measures in the NEXT annual report 2022

²⁾ The reference group reflects paid remuneration (not including share based remuneration) to NEXT Biometrics Group ASA employees (excluding its management team)

4 GOVERNANCE REVIEW OF REMUNERATION REPORT

The Board has the overall responsibility for reviewing the Remuneration Report. The Remuneration Committee has the responsibility for reviewing and proposing changes to the Remuneration Report. The Remuneration Committee is a sub-committee of the Board, which reviews the Remuneration Policy and recommends to the Board any amendments to be proposed by the Board for adoption by the Annual General Meeting. The Remuneration Report will be presented for an advisory vote at the Annual General Meeting.

SHAREHOLDER FEEDBACK ON THE REMUNERATION REPORT 2021

The Annual remuneration report 2021 was presented for approval (advisory vote) at the Annual General Meeting in May 2022 and was endorsed without comments by a significant majority.

AUTHORISATION FOR THE BOARD

In accordance with Section 6-16a of the Norwegian Public Limited Liability Companies Act, the Board is authorized to approve temporary deviations from the Policy on any element of remuneration described in this Policy. Deviations shall be considered by the Remuneration Committee and shall be presented to the Board for approval. Deviations may only be made in specific cases if there are special reasons outside of normal business that make it necessary to increase reward in order to help secure the Company's long-term interests, financial viability and/or sustainability by recognizing exceptional contributions. In 2022, the company's remuneration has been in accordance with the policy and guidelines described above.

5 STATEMENT BY THE BOARD OF DIRECTORS

The Remuneration Report is prepared in accordance with section 6-16 b of the Norwegian public limited companies Act.

The Board of Directors has today considered and adopted the Remuneration Report of NEXT Biometrics Group ASA for the financial year 2022. The Remuneration Report will be presented for an advisory vote at the Annual General Meeting 2023.

Oslo, 19 April 2023

Board of Directors

Petter Fjellstad

Chairman

Emine Lundkvist

Board Member

Siri Børsum

Board Member

Odd-Harald Hauge

Board Member



To the General Meeting of Next Biometrics Group ASA

Independent auditor's assurance report on report on salary and other remuneration to directors

Opinion

We have performed an assurance engagement to obtain reasonable assurance that Next Biometrics Group ASA report on salary and other remuneration to directors (the remuneration report) for the financial year ended 31 December 2022 has been prepared in accordance with section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation.

In our opinion, the remuneration report has been prepared, in all material respects, in accordance with section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation.

Board of directors' responsibilities

The board of directors is responsible for the preparation of the remuneration report and that it contains the information required in section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation and for such internal control as the board of directors determines is necessary for the preparation of a remuneration report that is free from material misstatements, whether due to fraud or error.

Our Independence and Quality Management

We are independent of the company as required by laws and regulations and the International Ethics Standards Board for Accountants' Code of International Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We apply the International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, and accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibilities

Our responsibility is to express an opinion on whether the remuneration report contains the information required in section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation and that the information in the remuneration report is free from material misstatements. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information".



We obtained an understanding of the remuneration policy approved by the general meeting. Our procedures included obtaining an understanding of the internal control relevant to the preparation of the remuneration report in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. Further we performed procedures to ensure completeness and accuracy of the information provided in the remuneration report, including whether it contains the information required by the law and accompanying regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 19 April 2023
PricewaterhouseCoopers AS

Anne Kristin Huuse
State Authorised Public Accountant
(electronically signed)