

## **PROPOSAL BY THE BOARD OF DIRETORS' OF PRECISE BIOMETRICS AB (PUBL) FOR REMUNERATION TO SENIOR EXECUTIVES**

The Board of Directors of Precise Biometrics AB (publ) ("**Precise Biometrics**" or the "**company**") proposes that the Annual General Meeting 2021 resolves on the following guidelines for remuneration to senior executives, mainly corresponding to the guidelines adopted last year but with the adjustment that the proposed guidelines also enables variable cash remuneration in the form of *long term incentive bonus*.

The individuals who are members of the group management of Precise Biometrics during the period of which these guidelines are in force, fall within the provisions of these guidelines. The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the annual general meeting 2021. These guidelines do not apply to any remuneration decided or approved by the general meeting.

If a Board member performs work for Precise Biometrics in addition to the assignment as Board member, these guidelines shall apply to any remuneration related to such work (e.g. consulting fees).

### **1. The guidelines promotion of Precise Biometrics business strategy, long-term interests and sustainability**

Precise Biometrics simplifies everyday life for people by developing solutions for convenient and secure identification and verification of people's identity. In addition to software for fingerprint recognition in mobile phones and payment cards, the company offers a product for quick and secure verification of digital identity. Precise Biometrics vision is enabling convenient and secure authentication of people's identity for everyone, everywhere. A prerequisite for the successful implementation of Precise Biometrics' business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. The objective of Precise Biometrics' guidelines for executive remuneration is therefore to offer competitive remuneration on market terms, so that competent and skillful personnel can be attracted, motivated and retained. These guidelines enable Precise Biometrics to offer senior executives a competitive total remuneration. Further information on the business strategy of Precise Biometrics is available at [www.precisebiometrics.com](http://www.precisebiometrics.com).

Long-term share related incentive plans have been implemented in Precise Biometrics. Since the incentive plans have been resolved by the general meeting, they are excluded from these guidelines. The incentive plans comprise, among others, senior executives and other employees in the company, and aims to offer employees an opportunity to take part of the company's value growth by promoting increased commitment and motivation to strive for a long-term favorable financial development in the company. The share-related incentive plans further contribute to strengthening Precise Biometrics' ability to recruit and retain qualified personnel and enables Precise Biometrics to offer a competitive total remuneration. The incentive plans are conditional upon the

participant's own investment and holding periods of several years. The outcome of the incentive plans is currently related to the development of the company's share price on Nasdaq Stockholm. For more information regarding these incentive plans, please see Precise Biometrics website, [www.precisebiometrics.com](http://www.precisebiometrics.com).

## **2. Types of remuneration etc.**

The remuneration to senior executives shall be on market terms and entail both short and long-term incentives. The remuneration shall consist of fixed cash salary, pension benefits and other benefits and may furthermore consist of variable cash remuneration. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remunerations.

### ***Fixed cash salary***

Fixed cash salary shall be on market terms and shall reflect the individual executive's responsibility, authority, qualifications and experience. Senior executives hired on consultancy basis shall receive remuneration based on market terms taking into account, to the extent possible, the overall purpose of these guidelines.

### ***Variable cash remuneration***

Variable remuneration shall be based on predetermined, well-defined and measurable financial and non-financial criteria for the group. The annual variable remuneration for the CEO may amount to not more than 75 percent of the fixed cash salary and may amount to not more than 50 percent of the fixed cash salary for other senior executives. The criteria for the annual variable cash remuneration shall primarily relate to the result, growth, financial position and operations of the group. In addition, individual criteria may be established.

In addition to annual variable cash remuneration, variable cash remuneration can be paid in the form of a *long term incentive bonus* (LTI bonus) which covers eight financial years. The LTI bonus shall be based on achieved growth criteria (net sales) during the years covered by the LTI bonus, provided that the net operating income is positive at the same time. The LTI bonus shall be combined with a shareholding requirement and requirement that part of the LTI bonus shall be reinvested in shares. Furthermore, the terms and conditions contain that part of the LTI bonus is subject to deferred payment for a certain period of time, in order to contribute to a sustainable long-term growth. The LTI bonus consist of, up to a maximum of eight annual salaries for the CEO and for other senior executives up to a maximum of four annual salaries.

The criteria for variable cash remuneration shall be designed with the purpose of promoting Precise Biometrics' business strategy and long-term interests, including its sustainability, by, for example, be linked to the company's strategic focus areas and financial development. For the purpose of promoting a common endeavor of achieving the company's business strategy, long-term interests and a sustainable development of the company, and in the long run increased shareholder value, all senior executives shall substantially have the same criteria for variable remuneration. The satisfaction of

criteria for awarding annual variable cash remuneration shall be measured over a period of one year and for LTI bonus the measurement period is continuous during the period of eight financial years covered by the LTI bonus.

### ***Pension benefits***

For the CEO, pension benefits shall be premium defined. Variable cash remuneration shall not qualify for pension benefits. Pension premiums for premium defined pension shall amount to not more than 25 percent of the fixed annual cash salary.

For other senior executives, pension benefits shall be premium defined unless the executive is covered by defined benefit pension according to mandatory provisions of a collective agreement. Variable cash remuneration shall not qualify for pension benefits, unless stipulated in applicable pension policy or mandatory collective agreement provisions applicable to the executive. The pension premiums for premium defined pension shall be paid according to a premium plan that shall take the executives' age and pension qualifying income into account. The pension premiums according to such a premium plan shall amount to not more than 25 percent of the pension qualifying income unless other premium levels are stipulated in mandatory collective agreement provisions.

### ***Other benefits***

Other benefits may include, for example, life insurance, health and medical insurance, occupational health service and company car. Such benefits may amount to not more than 10 percent of the fixed annual cash salary.

### ***Foreign employments and expatriated executives***

To the extent senior executives are covered by employment contracts subject to other rules than Swedish, these may be duly adjusted to comply with mandatory rules or established local practice. Executives who are expatriates to or from Sweden may receive additional remuneration and other benefits to the extent reasonable in light of the special circumstances associated with the expat arrangement. Such benefits shall amount to not more than 30 percent of the fixed annual cash salary. Remuneration covered by the guidelines in this part shall be determined with the overall purpose of these guidelines, to the extent possible, taken into account.

### ***Remuneration to Board members***

If a Board member (including a Board member acting through a wholly owned company) perform work for Precise Biometrics in addition to the assignment as Board member, certain cash remuneration may be paid for such work (consultancy fee) provided that such services promote the implementation of the business strategy, long-term interests and sustainability of Precise Biometrics. The annual consultancy fee shall be in line with market terms and be related to the benefits for Precise Biometrics and for each Board member not exceed the annual Board member remuneration. Remuneration to Board members, and other terms and conditions, shall be decided by the Board of Directors.

### **3. The satisfaction of criteria for awarding variable cash remuneration, etc.**

The Remuneration Committee shall prepare, monitor and evaluate matters regarding variable cash remuneration on behalf of the Board of Directors. After the measurement period for awarding variable cash remuneration has ended, it shall be determined to which extent the criteria have been satisfied. Evaluations regarding fulfilment of financial criteria shall be based on established financial information for the relevant period. Remuneration to the CEO shall be resolved by the Board of Directors based on the recommendation by the Remuneration Committee. Remuneration to other senior executives shall be resolved by the CEO after consultation with the Remuneration Committee and the Board of Directors.

Variable cash remuneration can be paid after the measurement period has ended or be subject to deferred payment. Programs and criteria of variable cash remuneration shall be designed so that the Board of Directors, if exceptional economic circumstances prevail, has the possibility of limiting or refraining from payment of variable cash remuneration if such a measure is considered reasonable and compatible with the company's responsibilities towards shareholders, employees and other stakeholders. The Board of Directors shall have the possibility under applicable law or contractual provisions, to in whole or in part, reclaim variable remuneration paid on incorrect grounds (claw-back).

### **4. Employment term and termination of employment**

Senior executives shall be employed until further notice or, when applicable, be hired on consultancy basis. Between Precise Biometrics and the CEO, a mutual notice period of not more than six months shall apply. Fixed cash salary and severance pay for the CEO during the notice period shall in total not exceed an amount corresponding to twelve months of fixed cash salary. At termination by the CEO, there shall be no right to severance pay.

Between Precise Biometrics and other senior executives, a mutual notice period of not more than six months shall apply. Other senior executives shall not be entitled to severance pay.

Senior executives may be compensated for non-compete undertakings after the termination of the employment, however, only to the extent severance pay is not paid during the same period of time. The purpose of such remuneration shall be to compensate the senior executive for the difference between the fixed cash salary at the time of termination of the employment, and the (lower) income which is obtained, or could be obtained, by a new employment contract, assignment or own business. The remuneration may be paid during the period the non-compete undertaking is applicable,

and no longer than during a period of twelve months after the termination of the employment.

## **5. Salary and employment conditions for employees**

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of Precise Biometrics have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Remuneration Committee's and Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

## **6. The decision-making process to determine, review and implement the guidelines**

The Board of Directors have established a Remuneration Committee. The committee's tasks include preparing the Board of Directors' decision to propose guidelines for senior executive remuneration. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for senior executives, the application of the guidelines for senior executive remuneration as well as the current remuneration structures and compensation levels in Precise Biometrics. The members of the Remuneration Committee are independent of the company and its executive management. The Board members, CEO, and executive management do not participate in the Remuneration Committee's or the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters. In connection with the proposal to supplement the guidelines with LTI bonus (2021), consultation have taken place with some of the major shareholders.

## **7. Deviation from the guidelines**

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure Precise Biometrics' financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

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Lund in April 2021  
*The Board of Directors*