Long Term Incentive Program (LTIP)

Extraordinary General Meeting

October 22, 2020

Background and rationale for LTIP

The Board of Directors has over time worked on compensation programs that align key personnel's remuneration and incentives with shareholders' interest. Share purchase programs, mandatory use of part of management's cash bonuses partly compensated in shares, and Board of Directors partly compensated in shares are all examples of this. In order to also cover the more long term aspects the Board has considered some different alternatives, and has concluded that a share based Long Term Incentive Program (LTIP) for leading personnel would be a good instrument to strengthen this further.

The Board of Directors intends to launch an equity-settled, share-based option plan as part of the total remuneration plan for the Group Management team and other leading personnel (over time). The option program is designed to align and incentivize management performance with shareholder value creation and to attract and retain high caliber executive management and key personnel. The Board considers this to be an important element in the efforts to reach the communicated 2025 strategic milestones and ambitions. The Participants will be eligible to participate in the company's incentive program called Long Term Incentive Program "LTIP" 2020.

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Topic for EGM

StrongPoint's compensation structure

1	2	3	4
Fixed salary Pension, benefits*	Performance bonus (X-Y %) 30% of gross bonus to share purchases with 3 years tie up	Share purchase program 20% rebate on share purchases up to NOK 500 000 with 3 years tie up	**Long-term Incentive Program (LTIP)**
All employees	Group Management/ Leading employees	Group Management	Group Management / Leading employees**

* Including share purchases up to NOK 35,000 every year with 20% rebate
** Employees beyond Group Management *might* be considered over time

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The Board of Directors proposes an LTIP with the following characteristics

- The CEO and the Group Management will be included in the incentive program (for which this approval is relevant). It is the intention of the Board that the LTIP could include other senior managers and/or critical personnel at a later stage
- Granted options are awarded over 3 years with a spread of tranches of 25% - 25% - 50% per year to achieve the desired retention effect
- The options will be vested annually with the availability to exercise the option 1-5 years after the grant period
- Maximum vesting period, expiry date, is 5 years after grant
- Strike price is equal to market price per share at the time of grant. It is calculated as the average market price per share over the last five days before grant (volume weighted average price)
- 1 - 3% of share capital is allocated to options every year. Maximum outstanding options shall never exceed 10 % of share capital
- The Board of Directors will every year decide the total frame of options and the allocation to the CEO. Allocation to the rest of Group Management will be done in cooperation with the CEO

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Program Structure

Options program structure - illustration

Grant
Vesting period
Instruments vests and available for exercise
Expiry

Years from program start

Grant	Allocation	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
2020 Award	25 %	01.11.2020	01.11.2021				01.11.2025				
	25 %	01.11.2020		01.11.2022			01.11.2025				
	50 %	01.11.2020			01.11.2023		01.11.2025				
2021 Award	25 %		01.05.2021	01.05.2022				01.05.2026			
	25 %		01.05.2021		01.05.2023			01.05.2026			
	50 %		01.05.2021			01.05.2024		01.05.2026			
2022 Award	25 %			01.05.2022	01.05.2023				01.05.2027		
	25 %			01.05.2022		01.05.2024			01.05.2027		
	50 %			01.05.2022			01.05.2025		01.05.2027		

Example:

1000 options, 250 is exercisable/vesting in 2021, 250 in 2022 and the final 500 in 2023 – all 1000 options expire in 2025

Approval from Extraordinary General Meeting (EGM)

The EGM is asked to authorize the Board to settle the options either by issuing new shares or by acquiring shares in the market. The number of options granted under the Long Term Incentive Program 2020 grant will not exceed 3% of the total current outstanding shares of the company.

BACKUP

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Overview OSEBX

Based on public available information

2018 observations:

- 3/4 of the companies on OSEBX are using share-based payment as a part of the remuneration
- Options is the favoured instrument with approx. 50% vs other instruments
- More than 90% if these are settled with shares (not cash/synthetic)

2017 observations:

- 44% of the companies use cliff vesting (all awards vest at the same time)
- More than 75% of these are using 3-4 years earnings/vesting period
- More than 90% of these are doing annual awards

Options are the most used instrument on OSEBX and in other relevant companies

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The Board has considered the following elements

- Shareholder goals
- Employee liquidity needs
- Simplicity (options the most efficient and least complex choice)
- Clear framework and structure on annual awards, vesting and controlled exercise windows
- Employee tax obligations
- Dilution – common to dilute new shares at vesting/exercise, can also use treasury shares or settled in cash
- Cash impacts for the company
- Dilute shareholders if settling in equity – cash expense connected to social security
- Cash out from the company equaling employee gains and social security expense if settling in cash
- Long term retention effect – dependent on vesting/earning period, criteria's of earning and potential gain size
- Simple design, in order for participants to understand the value of the grant and create retention effect
- Allocation levels and expected gains in line with OSBX best practice and with sufficient incentive effects
- IFRS costs, social security expenses and maximum dilutive shares

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Thank you

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