

REMUNERATION

GUIDELINES AND POLICY



NORDIC[®]
SEMICONDUCTOR

The Board of Directors’ Remuneration Guidelines and Policy for Remuneration of Senior Executives

Introduction

In accordance with the Norwegian Public Limited Liability Companies Act Section 6-16a, the Board shall establish guidelines for remuneration to members of executive management.

In accordance with the Norwegian Public Limited Liability Companies Act Section 5-6 (3), the Board’s guidelines for salary and other remuneration for the Company’s Executive Management Team shall be presented during the General Meeting for an advisory vote for the next financial year. The guidelines covering share-based remuneration as set out by the Norwegian Public Limited Liability Companies Act Section 6-16a (1) no. 3, shall be presented during the General Meeting for approval for the next financial year. The Board considers the Company’s Long-Term Incentive Plan as share-based compensation.

The Board’s statement is as follows:

The Board of Nordic Semiconductor ASA (the Board) has established a People and Compensation Committee (the Committee) to evaluate and recommend remuneration principles and execution for the CEO and to evaluate and guide principles and strategy for the compensation of the Executive Management Team. Furthermore, the Committee evaluates and oversees the overall compensation strategy for the Company and provides deeper Board oversight for organization-related matters. The CEO’s total compensation, and any adjustments, is first reviewed by the Committee and then approved by the Board. The Board considers CEO compensation each year. The compensation of the other members of the Executive Management, including adjustments of these, is agreed between the CEO and the respective manager in the context of an overall compensation plan recommended by the Committee and approved by the Board.

Nordic (the Company) operates in a highly competitive, international landscape. The Board has approved a reward strategy that supports the attraction, engagement, and retention of relevant talent.

Reward and remuneration are based on our strategic drivers and rewarding executives and employees fairly for their contribution. This is underpinned by Nordic’s values of Engagement, Contribution, Knowledge, Respect and Responsibility.

Definition of executive personnel

Members of the company’s Executive Management Team, including the CEO, are considered executive personnel.

Reinforcing the Company’s business strategy, long-term interests and sustainability

Nordic’s mission is to be the world-leading supplier of connectivity solutions that include ultra-low power proprietary and Bluetooth technologies for short-range, Wi-Fi for medium-range, and cellular IoT technology for the long-range market.

The Company’s business is built on several strategic pillars with the goal of lasting growth and profitability in a market that is constantly developing. The Company is a market leader in short-range wireless solutions and is ready to enter the emerging cellular IoT market. Nordic Semiconductor aspires to lead the development for a more sustainable and healthier society by providing products that improve people’s lives, optimize resources, and create economic value at the same time. IoT will transform sustainable global economic development for healthcare, industry, innovation, infrastructure, smart cities, and clean energy.

The Company must offer its senior executives terms that are motivating and align their interests with those of the shareholders. Terms should reflect relevant market levels, be well-balanced, and reasonable based on the executives’ expertise, responsibilities and performance. The successful implementation of the Company’s business strategy, long-term interests, and financial sustainability, requires that the Company offer market competitive salaries to attract, motivate, and retain executives with the necessary and relevant competence.

All Nordic Semiconductor entities fall under the same guidelines to support the Company's strategy, objectives, and values. In addition, the guidelines aim to align with the current remuneration strategy and practices applicable for the Company's employees based on the principles of competitiveness, fairness, transparency and performance. This is achieved by:

- Attracting and retaining highly competent and motivated executives that have the ability, experience, and skill to deliver on the Company strategy
- Encouraging behavior consistent with the Company's culture and core values
- Ensuring fairness in awarding total remuneration that is appropriate, not excessive, and clearly explained
- Offering a total compensation mix of fixed pay, variable pay, and benefits that is competitive
- Encouraging variable remuneration which aligns employees with clear and relevant targets, reinforces their performance, and enables flexible remuneration costs

Executive Management Team's remuneration package components

The main principle of the Company's policy for remuneration and compensation is that executive personnel shall be offered competitive terms to attract and retain leaders with the desired competency to the Company's Executive Management Team. Total Direct Compensation shall be split between fixed salary, short-term incentives, and long-term incentives, while Total Compensation also includes pension and other valuable benefits such as insurance, etc. The mix between the short-term and long-term incentives is created to support optimal value creation for our shareholders.

The total remuneration package is to be in line with relevant market levels and consists of the following components:

- Fixed annual base salary
- Short-term incentives
- Long-term incentives
- Pension and other benefits
- Fixed annual base salary

Providing a fair and competitive base salary as part of the total remuneration package is key for the continued company success and management continuity. The fixed annual base salary for senior executives is determined based on the level of the position in the organization (defined through detailed job evaluations), local labor market conditions, individual conditions including performance and budget, and remuneration guidelines for annual salary review. The fixed compensation shall be reasonable, fair, market-aligned, and competitive. The level of fixed annual base salary for the Executive Management Team is to be reviewed annually using relevant benchmark data and an internationally recognized job evaluation methodology. It is important to mention that one of the members of the Executive Management Team currently resides outside of Norway, and receives an annual expat allowance in addition.

Short-term incentives (STI)

Employees are rewarded for high performance when both individual and Company objectives are achieved, linking remuneration to successful execution of our strategy and to long-term shareholder value creation. Providing a more competitive compensation package will increase the alignment of executives' interest with the shareholders' interests, foster a performance culture, promote long-term decision-making and commitment, share in company success, and an overall stronger link between pay and performance.

The Company has established an annual bonus program (the STI plan) for the Executive Management team. The bonus is awarded as a direct cash payment.

The key performance indicators (KPIs) defined for the Executive Management Team are carefully considered and defined to link remuneration to both short- and long-term value creation for the Company. The same company-wide financial KPIs are set for the rest of the organization to recognize Nordic's culture, collaboration and interdependencies among the existing team members.

Linking executive remuneration with the Company's strategy can help drive the right behaviors, encourage a focus on longer-term sustainability, and create a more nuanced approach to performance than merely focusing on the financial aspect. Based on this, the Company has decided that the Executive Management Team will in 2022 also be measured on both financial and non-financial KPI's. Company KPIs are set by the Executive Management Team, discussed, and reviewed by the People and Compensation Committee, and approved by the Board of Directors. The KPIs shall be reviewed annually so that they are relevant and appropriate in terms of the current strategic focus and priorities of the Company. Below is a summary of the KPIs for 2022 and their relative weighting:

- Revenue "core" vs budget (30%)
- Revenue "new" vs budget (20%)
- Relative Total Shareholder Returns (25%)
- ESG-linked objectives (12.5%)
- Individual objectives (12.5%)

Achieving these targets results in a performance pay bonus of 45% of base salary for the CEO and EVP Sales & Marketing, and 40% of base salary for the remaining members of the Executive Management Team. The performance bonus is capped at 52% of base salary for the Executive Management Team and 58.5% of base salary for the CEO and EVP Sales & Marketing. The KPIs are designed to promote the Company's business strategy and long-term interests, including sustainability.

At the end of the performance period, short-term bonuses shall be determined based on level of KPI fulfillment. This assessment shall be based on an evaluation of the KPIs as they are described in the STI plan.

Long-term incentives (LTI)

In addition to annual base salary and short-term incentives as described above, the Executive Management Team is incentivized by a variable long-term bonus program (the LTI plan), which rewards clear, measurable performance targets that are awarded at the end of the vesting period for the LTI plan, subject to current employment without termination date. Such LTI awards shall give participants in the LTI Plan an interest in the Company that is aligned with the shareholders, enhancing the proprietary and personal interest of such participants in the Company's continued

success and progress and motivate for outstanding performance and individual contributions towards a common long-term goal. This LTI Plan will also attract and retain employees. The value of the total yearly LTI plan is to be 45% of annual base salary for EMT, and 55% of annual base salary for the CEO.

The LTI plan for the executives is split into two parts where 50% is composed of Restricted Stock Units (RSUs) and the remaining 50% is given as Performance shares. The number of RSUs granted depends on the share value at grant date. The RSUs have a vesting period of three years and will be delivered to the employee once they have matured, as long as the employee is still with the Company and have not given notice of resignation.

Each member of the EMT is granted an equal number of Performance shares that are based on KPI attainment and will be delivered to the employee after a three year vesting period. The payout level will vary between 0%-200%, depending on the performance level of the KPIs. The KPIs tied to the LTI bonus plan are created to promote the long-term interest and sustainable development of the Company while supporting the business strategy. Below is a summary of the KPIs related to the Performance shares with their relative weighting for the 2022-24 LTI plan:

- Revenue Growth (35%)
- Relative Total Shareholder Returns (35%)
- Individual KPIs (20%)
- ESG-linked objectives (10%)

At the end of the performance period, an assessment will be made to determine KPI fulfillment. This assessment shall be based on an evaluation of the KPIs as they are described in the LTI plan.

An EBITDA underpin has been included to ensure that a minimum level of profitability is reached for above target rewards to be paid out based on the Revenue criteria. An absolute TSR underpin has been included to ensure that returns to the shareholders are positive for above target rewards to be paid out based on the TSR criteria.

The LTI plan has a holding period requirement for Shares. Until shareholding in the Company corresponds to the value of one annual gross fixed salary, called the “Ownership Obligation” or “floor” of 50% or more of the paid net award under the LTI plan must be held. Such number of Shares must be held until the end of the Participant’s membership in the Executive Management Team LTI plan. The earned net shares that are not required to be held (50%), as well as any earlier earned shares, may be sold as permitted by other requirements such as insider regulations. The Board may permit exceptions to the Ownership Obligation or set terms diverging from this paragraph for individual participants. By having an ownership commitment and connecting the performance target to the shareholders’ objectives, a common interest in promoting the Company’s business strategy, long-term interests, and value creation is established. More detailed information on the Company’s LTI plan can be found in the Company’s Annual Report or the Company’s Remuneration Report accessed through the Company’s website (www.nordicsemi.com).

In 2020, the Annual General Meeting approved to replace the stock option program with a Restricted Stock Unit (RSU) program for all employees. The Board recommends to the Annual General Meeting to continue this program and allocate up to 400 000 RSUs to all employees in 2022. The RSUs vest over 2 years (3 years for EMT) and will be delivered to the employee at the vesting date at par value.

Pension and other benefits

All members of the Executive Management Team have a defined contribution pension plan. The main benefit is a pension contribution of 7% of salary up to 7.1 G (G is the National Insurance Basic Amount in Norway), and 18% of salary between 7.1 G and 12 G. In addition, a top-hat pension was approved by the Board in February 2022. This means a pension contribution of 18% of salary above 12 G is given to all employees with salary above 12 G with effect from 01.01.2022. The pension benefits are considered very competitive compared to the market, which is in line with the remuneration guidelines. The CEO and other Senior Executives have the right to retire from the age of 62 in accordance with applicable local regulations. In addition, all Executive Management Team members are covered by insurance such as health insurance, life insurance, critical illness insurance, disability insurance, as well as travel insurance. Other notable benefits include a monthly paid mobile phone subscription.

Severance pay

The Group’s Chief Executive Officer and the rest of the Executive Management Team have agreed to a 6-month mutual resignation period. Severance pay equivalent to one year’s base salary is agreed to be paid to the CEO and EMT members in case of involuntary termination within 12 months after a potential merger or acquisition.

Clawback clause

Incentive based remuneration (Short-term- and Long-term incentive programs) shares and payments that have already been made to any respective member of the Company’s Executive Management Team is subject to clawback provisions covering both situations of significant misconduct, or basis of facts that were self-evidently incorrect, or as the result of misleading information supplied by the individual in question, and the Executive Management Team member knew or should have known about this. Enforcement of the provision will be subject to local law. In 2021, no incentive remuneration was reclaimed.

Deviations from the guidelines

The Board of Directors may temporarily resolve to deviate from the guidelines, in whole or in part, if in a specific case there is special cause for the deviation to serve the Company’s long-term interests, including its sustainability, or to ensure the Company’s financial viability. The People and Compensation Committee’s tasks include preparing the Board of Directors’ resolutions in remuneration-related matters. This includes any resolutions to deviate from the guidelines.

