



poLight ASA Remuneration Report



For executive
personnel

2021

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INTRODUCTION AND BACKGROUND

In accordance with Sections 6-16a and 6-16b of the Norwegian Public Limited Companies Act, the Board of poLight ASA has submitted this annual report of remuneration for executive personnel. Requirements are described in the regulation on guidelines and reporting of remuneration of executive personnel of 11 December 2021 no. 2730.

The purpose of the Report is to give an overview of paid and retained salary and other remuneration from the Company and its consolidated subsidiaries (jointly, the "**Group**") to the members of the Board and to executive personnel for 2021, pursuant to the Company's remuneration policy as approved by the Company's general meeting on 26 May 2021. The remuneration policy is available on the Company's website, and has been adopted with the following overall objectives:

- Support the purpose and sustainability of poLight
- Align the remuneration components with the interests of shareholders and other stakeholders relevant to the above
- Support delivery of poLight's strategic priorities; and
- Provide guidelines for establishing remuneration to the Executive Management Team that attract, retain and motivate employees with the skills, qualifications and experience needed to maximize value creation for the Company and its shareholders.

KEY DEVELOPMENTS IN 2021

poLight's TLens technology is suitable for a wide variety of applications, particularly those where there is a need for compact and high-quality autofocus solutions that benefit from high speed, small size and low power consumption. Such applications include, but are not limited to, smartwatches, smartphones, augmented reality (AR) glasses, other wearables/IoT, industrial scanners, readers and sensors, and medical equipment.

2021 was another busy year, with a high level of activity on several customer cases resulting in four design-wins and good progress on several Proof of Concept (PoC) projects. The opportunity pipeline is promising. The design-win related to the augmented reality (AR) product is of strategic importance for the company. The activity and opportunity pipeline we see in this market segment is impressive. The technical attributes of TLens®, its speed, compactness, low power consumption and no gravity sensitivity, are viewed as key for AR applications.

Smartphone-related activity has been high. Together with our customers, we are working hard to mature cases and qualify TLens® for commercial use. This is a very demanding process, requiring much effort and resources. We have made encouraging progress, even though there are hurdles still to be overcome.

Corporate actions/events during 2021

	Date
Follow-up purchase order for barcode scan engine product	11.03.2021
Webcam launched with advanced TLens® autofocus function	06.04.2021
Received purchase order for web camera product	07.04.2021
Received another purchase order for web camera product	21.04.2021
TLens® confirmed to be used in a machine vision product	18.05.2021
Smartphone project cancelled due to portfolio changes	29.07.2021
Follow-up purchase order for barcode scan engine product	09.08.2021
Purchase order received for mass production preparation for a surgical device	20.08.2021

Private Placement successfully raised a total of NOK 125 million	13.09.2021
Additional purchase order received related to surgical device	21.09.2021
Subsequent offering raised gross proceeds of NOK 12.8 million	21.10.2021
Design-win confirmation from first AR customer	01.12.2021
Awarded a barcode design-win for manufacturing line applications	07.12.2021
polLight ASA won its VAT appeal	16.12.2021

REMUNERATION OF THE BOARD OF DIRECTORS

The Chairman and each member of the Board of Directors receives a fixed annual fee. In addition, the members of the Board's committees may also receive fixed annual fees for their work on committees.

Remuneration members of the board

(in NOK 000)	2021	2020
Ann-Tove Kongsnes - chair of the board	288	175
Eivind Bergsmyr - former chair of the board ¹⁾	0	350
Grethe Viksaas	213	175
Svenn Tore Larsen	213	175
Juha Alakarhu ²⁾	213	175
Thomas Görling ³⁾	125	0

1) Resigned from the Board on May 26, 2021

2) In addition to the remuneration received, Juha Alakarhu has invoiced NOK 12.4 thousand through Spektro Oy as a consultant.

3) Member from May 26, 2021

The Company has not provided share-based remuneration to the Board members during 2021.

The table below shows the change of the Board members' total Board fees for the years 2017 until 2021.

Name	2021 vs. 2020		2020 vs. 2019		2019 vs. 2018		2018 vs. 2017	
	(in NOK 000)	%	(in NOK 000)	%	(in NOK 000)	%	(in NOK 000)	%
Ann-Tove Kongsnes ¹⁾	113	64 %	-88	-17 %	213	425 %	0	0 %
Grethe Helene Viksaas ²⁾	38	11 %	-88	-33 %	N/A	N/A	N/A	N/A
Juha Alakarhu ³⁾	38	21 %	88	100 %	N/A	N/A	N/A	N/A
Sven Tore Larsen ⁴⁾	38	21 %	88	100 %	N/A	N/A	N/A	N/A
Thomas Görling ⁵⁾	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1) Ann-Tove Kongsnes was appointed chair of the Board in May 2021 and was deputy chair for the other years set out in the table above.

2) Grethe Helene Viksaas was appointed to the Board in May 2018

3) Juha Alakarhu was appointed to the Board in May 2019

4) Sven Tore Larsen was appointed to the Board in May 2019

5) Thomas Görling was appointed to the Board in May 2021

At the Annual General Meeting in May 2019, a resolution was passed that changed the time for payment of remuneration from yearly payments in arrears to quarterly payments in advance, which led to a remuneration period of 18 months paid in 2019.

REMUNERATION OF THE EXECUTIVE MANAGEMENT

The executive management's remuneration in 2021 complied with the guidelines on remuneration adopted by the Ordinary General Meeting in May 2021. The guidelines on remuneration are included in the Notice of the general meeting available at [polight.com](https://www.polight.com).

Overall objective and principles

The overall objective of the remuneration guidelines for the Executive Management Team is to offer senior executives employment conditions which are competitive when salary, benefits in kind, bonus and pension schemes are viewed as a whole.

The remuneration to members of the executive management consists of a fixed salary in combination with certain benefits in kind, an achievement-based bonus, in addition to participation in a share option scheme.

Fixed salary

The fixed salary is set annually, considering a range of factors including; (i) the individual's skills, performance and experience, (ii) increases for the broader workforce, (iii) external market data amongst peer companies, (iv) the size and responsibilities of the role, and (v) the geographical location of the role, internal relativity and external economic environment.

Benefits

The members of the Executive Management Team are entitled to complimentary phone, internet access at home and are included in the company insurance scheme. In addition, the Company covers individual insurance policies for the CEO, pays a cash compensation to the CEO for him not having a company car and a newspaper subscription.

Bonus payments

The CEO is entitled to an annual bonus, which is capped up to 50% of his annual fixed salary. Other members of the Executive Management Team are entitled to an annual bonus of up to 30% of their annual fixed salary. Any bonus payments are determined based on satisfaction of pre-defined achievement criteria.

In addition, the Board of Directors may grant discretionary bonuses following proposals from the Remuneration Committee.

Pension

polight ASA, the Norwegian entity, is the only company in the group that has a defined contribution pension plan. The plan is in accordance with the mandatory requirements under Norwegian law.

The amount of Company paid pension contributions are set considering the wider workforce rate and market practice in each country.

Share option program

The Company has established a share option program for all of its employees and selected consultants. Each option gives the holder a conditional right to require issuance of one share in the Company at a defined strike price (corresponding to the market price, or higher, of the shares in the Company at the time the options

were granted). The Company may, in its sole discretion, deliver existing shares to an option holder instead of newly issued shares. New share options are issued based on the board's discretion.

Exercise of the options are subject to the options being vested. The options vest in equal parts, with 1/36 each month over 3 years, at the expiry of each calendar month, starting at the date of the grant, and conditional on the employee's continued employment in poLight.

Vested options may be exercised, and shares issued once per quarter each following the release of poLight's quarterly reports. All vested options that have not been exercised lapse automatically on the 5-year anniversary of the grant of the options.

Severance payment

The employment agreement with the members of the executive management may be terminated by both parties with three months' notice period. If the CEO is given a notice to resign from the Company, the CEO will be entitled to nine months' severance payment in addition to salary in the notice period. The CEO is consequently entitled to 12 months of salary following a notice to resign from the Company. The right to severance payment does not apply if the CEO himself resigns, and deductions in severance payment may be made if other earned income or social security is received.

For other members of executive management, the Company shall, as a main guideline, not agree on severance payments, unless this is considered necessary to secure necessary expertise for the Company and otherwise is in accordance with the main principles of the Company's remuneration policy.

Remuneration of the management

(in NOK 000)

		Fixed remuneration			Variable remuneration		Extra-ordinary items	Pension expense	Total remuneration		% of fixed and variable rem. (Incl. share options)	
		Fixed rem.	Fees	Benefits	Bonus	Share options ¹⁾			Excl. share options	Incl. share options		
Øyvind Isaksen - CEO	2021	3 157	-	533	667	1 203	-	93	4 450	5 653	67 %	33 %
	2020	2 857	-	298	1 183	1 727	-	66	4 403	6 130	53 %	47 %
Pierre Craen - CTO ²⁾	2021	2 120	-	0	292	321	-	15	2 426	2 747	78 %	22 %
	2020	1 790	-	37	380	342	-	67	2 274	2 617	72 %	28 %
Alf Henning Bekkevik - CFO	2021	1 352	-	17	175	27	-	89	1 634	1 661	88 %	12 %
	2020	1 300	-	21	287	232	-	63	1 671	1 903	73 %	27 %
Marianne Sandal - COO	2021	1 664	-	48	217	321	-	104	2 033	2 354	77 %	23 %
	2020	1 548	-	31	341	330	-	74	1 995	2 325	71 %	29 %

1) Fair value of the share options vested in 2021 are calculated using the Black-Scholes option pricing model at the date of the grant.

2) Pierre Craen has for the period 1.1.2021-31.12.2021 invoiced NOK 2,172.3 thousand of the remuneration through Tilia-Blue SRL as a consultant, included in the above figure.

The Company cannot demand repayment of variable remuneration unless obvious miscalculations or non-entitled payments have been made.

Pension

The pension scheme in Norway is based on a defined contribution plan, and the premium is calculated on the basis of the employees' income. In 2021 5.55% of the salary between 1G (1G=NOK 106,399) and 7.1G, and 8% of the salary between 7.1G and 12G was calculated.

Bonus payments

Management	Description of performance criteria	Relative weighting	Achievement	Actual compensation result (in NOK 000)
Øyvind Isaksen - CEO	Product design win for a smartphone project	50 %	0 %	0
	Product design win for an AR/VR project	20 %	20 %	272
	Any other design-win (10% per case)	30 %	20 %	259
	Achieving 2021 revenue figures (10%)		0 %	0
	Carry out successful share issue (10% per share issue over gross 40 MNOK)		10 %	136
	Total	100 %	50 %	667
Pierre Craen - CTO	Product design win for a smartphone project	50 %	0 %	0
	Product design win for an AR/VR project	20 %	20 %	118
	Any other design-win (10% per case)	30 %	30 %	174
	Achieving 2021 revenue figures (10%)		0 %	0
	Total	100 %	50 %	292
Alf Henning Bekkevik - CFO	Product design win for a smartphone project	50 %	0 %	0
	Product design win for an AR/VR project	20 %	20 %	70
	Any other design-win (10% per case)	30 %	30 %	105
	Achieving 2021 revenue figures (10%)		0 %	0
	Total	100 %	50 %	175
Marianne Sandal - COO	Product design win for a smartphone project	50 %	0 %	0
	Product design win for an AR/VR project	20 %	20 %	88
	Any other design-win (10% per case)	30 %	30 %	128
	Achieving 2021 revenue figures (10%)		0 %	0
	Total	100 %	50 %	217
Total				1 352

Share option program

Guarantee	Grant date	Exercise price	Granted options	Development during the year				Exerciable options	Granted and unvested options
				Opening balance	Exercised options	Granted options	Ending balance		
Øyvind Isaksen - CEO	18.10.2018	50,00	162 420	162 420			162 420	162 420	0
	20.06.2019	18,90	31 443	31 443			31 443	31 443	0
	20.06.2019	27,00	31 443	31 443			31 443	31 443	0
	20.06.2019	33,75	31 443	31 443			31 443	18 342	13 101
	31.08.2020	74,90	80 000	80 000			80 000	37 778	42 222
	Total		336 749	336 749	0	0	336 749	281 426	55 323
Pierre Craen - CTO	18.10.2018	50,00	40 000	40 000	-9 600		30 400	30 400	0
	20.06.2019	18,90	7 667	0			0	0	0
	20.06.2019	27,00	7 667	7 667	-5 111		2 556	2 556	0
	20.06.2019	33,75	7 667	7 667			7 667	4 472	3 195
	31.08.2020	74,90	21 500	21 500			21 500	10 153	11 347
	Total		84 501	76 834	-14 711	0	62 123	47 581	14 542
Alf Henning Bekkevik - CFO	18.10.2018	50,00	40 000	40 000			40 000	40 000	0
	20.06.2019	18,90	7 667	7 667	-7 667		0	0	0
	20.06.2019	27,00	7 667	7 667	-5 111		2 556	2 556	0
	20.06.2019	33,75	7 667	7 667			7 667	4 472	3 195
	Total		63 001	63 001	-12 778	0	50 223	47 028	3 195
Marianne Sandal - COO	18.10.2018	50,00	40 000	40 000			40 000	40 000	0
	20.06.2019	18,90	7 667	7 667	-7 667		0	0	0
	20.06.2019	27,00	7 667	7 667	-5 111		2 556	2 556	0
	20.06.2019	33,75	7 667	7 667			7 667	4 472	3 195
	31.08.2020	74,90	21 500	21 500			21 500	10 153	11 347
	Total		84 501	84 501	-12 778	0	71 723	57 181	14 542
Total			568 752	561 085	-40 267	0	520 818	433 216	87 602

The share options expire 5 years from the date of the grant, but any vested options shall be exercised no later than 6 months after last day of service.

In the case of an offeror becoming the owner of at least 9/10 of the issued shares of poLight, all of the unvested share options becomes immediately vested and exercisable.

Gain on exercised share options in 2021 was:

- 1) Pierre Craen (CTO) NOK 1,288.1 thousand (2020: NOK 298.7 thousand)
- 2) Alf Henning Bekkevik (CFO) NOK 1,372.7 thousand
- 3) Marianne Sandal (COO) NOK 1,372.7 thousand

Remuneration and company results 2017–2021

(in NOK 000)

Management	Remuneration	2017	2018	2019	2020	2021
Øyvind Isaksen - CEO	Total remuneration excl. share options	2 336	3 417	3 132	4 403	4 450
	Share options	2 855	2 168	2 232	1 727	1 203
	Total remuneration incl. share options	5 191	5 585	5 364	6 130	5 653
	Percentage change in total remuneration excl. share options	-11,7 %	46,3 %	-8,3 %	40,6 %	1,1 %
Pierre Craen - CTO	Total remuneration excl. share options	1 530	1 665	1 760	2 274	2 426
	Share options	674	372	385	342	321
	Total remuneration incl. share options	2 204	2 037	2 145	2 617	2 747
	Percentage change in total remuneration excl. share options	-1,4 %	8,8 %	5,7 %	29,2 %	6,7 %
Alf Henning Bekkevik - CFO	Total remuneration excl. share options	1 283	1 467	1 389	1 671	1 634
	Share options	685	501	439	232	27
	Total remuneration incl. share options	1 968	1 968	1 828	1 903	1 661
	Percentage change in total remuneration excl. share options	na	14,3 %	-5,3 %	20,3 %	-2,2 %
Marianne Sandal - COO	Total remuneration excl. share options	1 261	1 428	1 580	1 995	2 033
	Share options	670	505	463	330	321
	Total remuneration incl. share options	1 931	1 933	2 043	2 325	2 354
	Percentage change in total remuneration excl. share options	na	13,2 %	10,6 %	26,3 %	1,9 %
Total	Total remuneration excl. share options	6 410	7 977	7 861	10 343	10 544
	Share options	4 884	3 546	3 519	2 631	1 872
	Total remuneration incl. share options	11 294	11 523	11 380	12 974	12 416
	Percentage change in total remuneration excl. share options	na	24,4 %	-1,5 %	31,6 %	1,9 %
poLight's results	Revenue	613	1 038	2 988	3 019	10 032
		183,8 %	69,3 %	187,9 %	1,0 %	232,3 %
	Profit/loss(-) of the year	-50 657	-77 165	-77 864	-51 155	-53 481
		37,7 %	52,3 %	0,9 %	-34,6 %	5,0 %
	Equity	149 996	201 456	128 378	128 840	213 409
		-23,1 %	34,3 %	-36,3 %	0,4 %	65,6 %

		2017	2018	2019	2020	2021
Average remuneration	poLight ASA (Norway)	1 274	1 294	1 399	1 955	2 136
		8,5 %	1,6 %	8,1 %	39,7 %	9,3 %
	poLight Group	1 170	1 184	1 296	1 760	1 816
		0,6 %	1,2 %	9,4 %	35,8 %	3,2 %

CONSIDERATION AT THE ANNUAL GENERAL MEETING

This report will be presented to the Company's annual general meeting, to be held on 25 May 2022, and will be subject to an advisory vote at such general meeting.



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To the General Meeting of poLight ASA

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

Opinion

We have performed an assurance engagement to obtain reasonable assurance that poLight ASA report on salary and other remuneration to directors (the remuneration report) for the financial year ended 31 December 2021 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 control

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. Our firm applies International Standard on Quality Control 1 (ISQC 1) and accordingly maintains 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, 3 May 2022
KPMG AS



John Thomas Serhaug
State Authorised Public Accountant

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statautoriserede revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo	Elverum	Mo i Rana	Stord
Ålesund	Finnsnes	Molde	Strøme
Arendal	Hamar	Skien	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodø	Karvik	Sandnessjøen	Tynset
Drammen	Kristiansund	Stavanger	Ålesund

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