

# **GUIDELINES FOR DETERMINATION OF SALARY AND OTHER REMUNERATION TO LEADING PERSONNEL IN BORGESTAD ASA**

## **1 BACKGROUND**

### **1.1 Introduction**

These guidelines (the "**Guidelines**") govern the determination of salary and other remuneration to the Leading Personnel (as defined below) in Borgestad ASA and its subsidiaries.

Borgestad ASA is in these Guidelines referred to as the "**Company**", and the Company and its subsidiaries are jointly referred to as "**Borgestad**" or the "**Group**".

Borgestad's leading personnel include the Chief Executive Officer (CEO) of the Group, the Refractory Industry Manager / CEO of Höganäs Borgestad, and the Head of M&A, Investor Relations and Corporate Development (jointly referred to as the "**Leading Personnel**").

The Guidelines have been prepared in accordance with the provisions of Section 6-16a of the Norwegian Public Limited Companies Act and the Regulation on guidelines and report on remuneration payable to executive personnel.

### **1.2 Business strategy, long-term interests and financial sustainability**

Borgestad's overall strategy is to be an investment company that focuses on active portfolio management and on creating structural optionality, while optimising costs, enhancing profitable services and improving operations through the use of KPIs. The Group's long-term goal is to become a well-funded industrial investment company, specialising in established and profitable niche markets with a potential for enhancing operations and/or for consolidation, and with substantial available cash, strong return on invested capital (ROIC), and the ability to pay out extraordinary dividends when investments are sold.

To achieve these goals, the Company is of the view that it is necessary to be able to recruit and retain highly qualified leading personnel. The primary objective of these Guidelines is to ensure the Company's competitiveness as an employer, through a remuneration policy that facilitates the recruitment and retention of such personnel, and thereby to position Borgestad to effectively pursue its business strategy, long-term interests and financial sustainability.

## **2 PRINCIPLES FOR THE STIPULATION OF REMUNERATION TO LEADING PERSONNEL**

### **2.1 Main principles for the stipulation of remuneration to leading personnel**

The main principle of Borgestad's remuneration policy is to offer competitive terms to the Leading Personnel, taking into account their total remuneration package. This package may include various elements such as base salary, bonus, share-based incentive schemes, contribution in kind and pension arrangements. Borgestad aims to provide a remuneration level that is competitive compared to its peers, and which seeks to secure the Group's recruitment and retention of highly qualified personnel. The Company does, however, not aim to be a market leader in terms of salary and other remuneration. The remuneration for Leading Personnel may be adjusted based on local conditions and regulations in relevant jurisdictions, while still aligning with the overall objective of these Guidelines.

## **2.2 Fixed remuneration**

Leading Personnel may receive the following fixed remuneration elements:

### *2.2.1 Base salary*

The fixed salary paid to the Leading Personnel shall as a main rule constitute the most substantial part of their total remuneration. When determining the fixed salary, the Leading Personnel's position, experience and performance, geographic location, the competitiveness in the market and the Group's salary budget may be considered.

### *2.2.2 Contribution in kind*

Leading Personnel may be offered contribution in kind as a part of their remuneration, amongst other to seek to enhance their performance and support their work. Borgestad may cover a company car and/or provide travel allowance for Leading Personnel, depending on their needs. The Company does, however, aim to have a sufficiently competitive base salary to avoid unnecessary use of contributions in kind.

### *2.2.3 Pension scheme*

Leading Personnel shall participate in the Group's at any time applicable pension schemes. In Norway, Borgestad has a defined contribution scheme and a supplementary agreement-based pension scheme (AFP). In Sweden, Borgestad has a collectively based pension scheme, under which most employees have a defined contribution scheme.

### *2.2.4 Severance pay*

The Company's general practice is to have a notice period of 6 months in employment agreements. The notice period should not exceed 12 months. Severance packages should not exceed 12 months and should in all cases be considered in conjunction with confidentiality and non-competition clauses in the employment agreements, so that the severance pay constitutes compensation for restrictions on the ability to seek new employment. The CEO has waived his employment protection and has a notice period of six months and a right to severance pay equal to 6 months' salary.

## **2.3 Variable remuneration**

Leading Personnel may receive the following variable remuneration elements:

### *2.3.1 Bonus schemes*

The Leading Personnel may, in addition to their fixed remuneration, be offered to participate in bonus schemes.

It is deemed important that the Leading Personnel and the shareholders of the Company have aligned interests with respect to the development of the Group. In the near term, the priority of the board of directors is to improve the Company's results and cash flow. In the medium and long term, the priority of the board of directors is to increase the value of the Group's investments and hence the Company's market value. Any bonus schemes shall reflect the priorities of the board of directors in the short, medium and long term, and shall be performance-based.

The criteria for any performance-based bonus shall be determined by the board of directors and shall be linked to measurable factors, such as the achievement of pre-determined KPIs.

Performance-based bonus shall not exceed 80% of the relevant employee's base salary, and can be paid in a combination of cash and restricted stock units (as described in section 2.3.2) below, with a ratio between the two components to be determined by the board of directors. Whether the criteria for performance-based bonus have been fulfilled, shall be determined by the board of directors following the expiry of the relevant bonus period.

Notwithstanding the foregoing, the Refractory Industry Manager / CEO of Höganäs Borgestad has been granted an agreed variable remuneration payable upon the distribution of dividends to the shareholders of Höganäs Borgestad Holding AB, in which the Company holds a 64.2% ownership stake. At the time of dividend payment, the Refractory Industry Manager shall be entitled to a variable remuneration of up to 1% of the gross dividend. Furthermore, the Refractory Industry Manager / CEO of Höganäs Borgestad has been granted a transaction bonus which will be triggered in the event of a sale of more than 50% of the issued share capital and/or voting rights in Höganäs Borgestad Holding AB, or all of the subsidiaries of Höganäs Borgestad Holding AB, to a third party. The transaction bonus will be calculated as a percentage of the proceeds from such sale, which increases as the proceeds increase, and with different rates applied to different ranges of proceeds. The transaction bonus is limited upwards to SEK 11,150,000, which will be payable if the net purchase price in the transaction (the equity value) values Höganäs Borgestad Holding AB on a 100% basis at SEK 1,000,000,000 or more. The Company shall seek to secure a basis for repayment of variable remuneration in the event of erroneous calculations or payments or breach by the relevant employee of his/her employment agreement.

### *2.3.2 Restricted stock units/Performance based stock units*

To further align the interests of the Leading Personnel with those of the Group, and as described in section 2.3.1 above, a portion of Leading Personnel's variable remuneration may be settled in the form of restricted stock units/performance based stock units ("**RSUs**", and each such person being granted RSUs a "**RSU Holder**"). Such alignment of interests is considered important to fulfil the Company's goals set out in sections 1.2 and 2.1 above.

The number of RSUs issued to each RSU Holder will be calculated based on the amount of the variable remuneration payable to the RSU Holder in the form of RSUs, as determined by the board of directors in accordance with section 2.3.1 above, and the volume-weighted average price for the Company's shares during a certain prior to the grant date. Each RSU will be non-transferrable and give the right and obligation to receive one share in the Company free of charge, subject to the RSU Holder having remained employed by the Group during the vesting period and not having given notice of resignation (or of an intention to give such notice).

The RSUs shall, with certain customary exceptions (such as takeovers, mergers/demergers and similar transactions), vest over a period of three years from the grant date. The Company shall have the right to settle the RSUs in cash. If the RSU Holder dies or becomes unable to continue his/her employment in the Group due to serious illness, such RSU Holder or his/her heirs will be entitled to continue to hold a proportional number of the unvested RSUs based on the part of the vesting period passed at the time the RSU Holder dies or leaves his/her employment, and exercise such number of RSUs at vesting. Additional terms pertaining to the RSUs shall be set out in an agreement between the RSU Holder and the Company.

### *2.3.3 Financial assistance in connection with acquisition of shares in the Company*

The board of directors shall have the opportunity to resolve that the Company shall provide financial assistance to Leading Personnel (or their wholly-owned holding companies) in connection with acquisition of shares in the Company. Any such financial assistance shall be carried out in accordance with the regulation in the Norwegian Public Limited Companies Act and other applicable laws and regulations for financial aid to employees in

connection with acquisition of shares. Financial assistance shall be governed by loan agreements entered into on market terms.

#### **2.4 Salary and terms of employment for other employees**

In the preparation of these Guidelines, the salary and terms of employment of the other employees of the Group have been taken into consideration, so that the remuneration offered to the Leading Personnel is not unreasonably disproportionate to the salary otherwise offered by the Group to its employees.

### **3 DECISION MAKING PROCESS AND PROCEDURES FOR DEVIATIONS FROM AND AMENDMENTS TO THE GUIDELINES**

#### **3.1 Decision making process**

These Guidelines were resolved by the Company's board of directors on 13 May 2024 following input from the board of directors' remuneration committee, and where subsequently submitted for final approval by the Company's annual general meeting on 3 June 2024.

The remuneration committee functions as an advisory body to the board of directors, with the purpose of ensuring a thorough and independent preparation of matters regarding remuneration to the Leading Personnel, including assessing the total remuneration package and ensuring that the terms are competitive.

#### **3.2 Deviating from the Guidelines**

The board of directors may, upon recommendation from the remuneration committee and at its sole discretion, temporarily deviate from any section of these Guidelines in order to ensure the Company's long term interests, financial sustainability and sustainability in the following circumstances:

- upon changes of the Leading Personnel;
- upon changes to the Company's group structure, organization, ownership and or business (e.g. merger, takeover, demerger, acquisition etc.);
- upon material changes to the Company's strategy;
- upon changes in or amendments to relevant laws, rules or regulations; and
- upon other exceptional circumstance where the deviation may be required to serve the long-term interests and sustainability of the Company as a whole or to assure its viability.

If the board of directors deviates from these Guidelines, a justification shall be given in the relevant board meeting minutes and the deviation shall be reported on in the remuneration report to be presented at the next annual general meeting of the Company. In the event that a deviation is continued so that it cannot be deemed temporary, the board of directors shall update these Guidelines and propose that the updated guidelines are resolved by the general meeting as soon as practically possible.

### **3.3 Amendments to the Guidelines**

These Guidelines shall be presented to and be approved by the general meeting upon any material change and at least every fourth year. Immaterial amendments to the Guidelines may be made by the board of directors, without the general meeting's approval.

## **4 ANNUAL REPORT ON SALARY AND OTHER REMUNERATION**

The board of directors shall ensure that a report on salary and other remuneration is prepared on an annual basis in accordance with Section 6-16b of the Public Limited Companies Act. The report shall give an overview over paid and accrued salary and remuneration which are covered by these Guidelines. Before the report is approved by the general meeting the auditor shall review the report to ensure that it includes all information required by Section 6-16b of the Public Limited Companies Act. The general meeting shall hold an advisory vote over the remuneration report. The remuneration report shall be published and be available at the Company's website without undue delay after the general meeting has been held. The remuneration report shall be available for a period of ten years.

\*\*\*