

Compensation report 2023

Introduction

This report describes how the guidelines for remuneration to senior executives for Senzime AB (publ), adopted by the annual general meeting on May 18, 2022, and annual general meeting on May 16, 2023, were applied during the year 2023. The report also contains information on remuneration to the CEO and a summary of the company's outstanding share and share price-related incentive program. The report has been drawn up in accordance with the Swedish Companies Act and the College of Swedish Corporate Governance's Rules on remuneration to senior executives and on incentive programs.

Additional information on remuneration to senior executives can be found in note 9 (Remuneration to employees, etc.) on pages 59-61 of the annual report for 2023. Information on the remuneration committee's work during 2023 can be found in the corporate governance report on pages 30-35 of the annual report.

Board fees are not covered by this report. Such remuneration is decided annually by the annual general meeting and is reported in note 9 (Remuneration to employees, etc.) on pages 59-61 of the Annual Report.

Development in 2023

The CEO summarizes the company's overall results in his report on pages 6-7 of the annual report for 2023.

The company's remuneration guidelines: scope, purpose and deviations

A prerequisite for the successful implementation of the company's business strategy and safeguarding its long-term interests, including its sustainability, is that the company can recruit and retain qualified employees. This requires that the company can offer competitive remuneration. The company's remuneration guidelines enable senior executives to be offered a competitive total remuneration. According to the remuneration guidelines, remuneration to senior executives must be market-based and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. The variable cash compensation must be linked to financial or non-financial criteria. They can consist of individually adapted quantitative or qualitative goals. The criteria must be designed so that they promote the company's business strategy and long-term interests, including its sustainability, by, for example, having a clear connection to the business strategy or promoting the executive's long-term development.

The guidelines can be found on pages 33-34 of the annual report.

The employment contract for the CEO, entered on May 3, 2023, states that the maximum variable compensation is 11 monthly salaries (92 percent of the CEO's annual base salary). This is not in accordance with the guidelines established by the annual general meeting on May 18, 2022, which would be applied in 2023. The guidelines specify a maximum variable compensation level for the CEO of 50 percent of the CEO's annual basic salary. The deviation from the 2022 guidelines was not intentional, but was considered reasonable at the time of the CEO's employment contract negotiations.

The final bonus amount determined by the board was justified on the basis of several factors, including outcomes against established personal and company-related objectives for 2023.

The auditor's opinion on the company's compliance with the guidelines is available at <https://www.senzime.com/sv/bolagsstammor>

No compensation has been claimed back. In addition to the compensation covered by the compensation guidelines, the company's annual general meetings have decided to introduce long-term share-related incentive programs.

Table 1 – Total remuneration to the CEO in 2023 (kSEK)

The executive's name (position)	<u>Fixed compensation</u>		<u>Variable remuneration</u>			Total compensation	The share of fixed or variable remuneration	
	Basic salary	Other benefits	Annual	Perennial	Extraordinary items*)			
Pia Renaudin (CEO) until 02 May 2023	766	47	0	-	0	308	1 121	100% / 0%
Philip Siberg (CEO) from 03 May 2023	1 969	17	580	-	580*	13	3 159	77% / 23%

* Refers to compensation related to the CEO's pension costs, see appendix 1.

Share-based remuneration

Outstanding share-related and share-price-related incentive programs

Option program

Below is a summary of option programs that are/were found in the group during any of the periods covered by the 2023 annual report.

Employee stock option program 2020/2023

The extraordinary general meeting on July 2, 2020 decided on a program comprising 100,000 employee options. The program is aimed at a senior executive and was awarded free of charge in July 2020. The employee options awarded are earned over three years as follows: 20% of employee options awarded vest on July 1, 2021; 20% of granted employee options vest on July 1, 2022; and 60% of assigned staff options are vested on July 1, 2023. Assuming vesting and continued employment in the company, each option can be used to subscribe for shares during the period July 1, 2023 to September 30, 2023. The subscription price is set at SEK 24.70, which corresponds to 125% of the volume-weighted average price paid for the Company's share on NASDAQ Stockholm's main market during a period of 20 trading days from and including the day of the general meeting's decision.

Employee stock option program 2020/2024

The extraordinary general meeting on 2 July 2020 also decided on a program which includes 1,100,000 options. Employee stock options shall be offered and awarded to employees of the Company based on the participants' individual performance during an evaluation period that shall last until and including December 31, 2020 ("Evaluation Period").

Granted employee options vest over three years as follows: 20% of granted employee options vest on February 1, 2022; 20% of granted employee options vest on February 1, 2023; and 60% of granted employee options vest on February 1, 2024. Participants may exercise granted and vested employee options during the period from February 1, 2024 to April 30, 2024.

The subscription price is set at SEK 24.70, which corresponds to 125% of the volume-weighted average price paid for the Company's share on NASDAQ Stockholm's main market during a period of 20 trading days from and including the day of the general meeting's decision.

A total of 825,000 of these 1,100,000 options have been awarded in February 2021 and the distribution is as follows: CEO: 100,000 staff options; members of the Management Team in total: 500,000 employee options (maximum individual allocation 90,000); other employees: 225,000 (maximum individual allocation 30,000).

Employee stock option program 2021/2025

The annual general meeting on 11 May 2021 decided on an additional employee option program comprising 456,050 options. These employee options shall be offered and assigned to employees - however not the CEO or those who are part of the company's management team - based on the participants' individual performance during an evaluation period that shall last until December 31, 2021 ("Evaluation Period"). Allocation may, however, take place earlier or later following a special decision to this effect by the board. The maximum number of staff options that can be allocated to participants is 50,000 staff options per person.

Granted employee options vest over three years as follows: 20% of granted employee options vest on February 1, 2023; 20% of granted employee options vest on February 1, 2024; and 60% of granted employee options vest on February 1, 2025. Participants may exercise granted and vested employee options during the period from February 1, 2025 to April 30, 2025.

The subscription price is set at SEK 28.10, which corresponds to 125% of the volume-weighted average price paid for the Company's share on NASDAQ Stockholm's main market during a period of 20 trading days from and including the day of the allotment.

A total of 435,000 of these 456,050 options have been allocated in February 2022. All options have been allocated to other employees.

Employee stock option program 2022/2026

The annual general meeting on 18 May 2022 decided on an additional employee option program comprising 900,000 options. These employee stock options shall be offered and granted to employees based on the individual performance of the participants during an evaluation period that shall last through December 31, 2022 (the "Evaluation Period"). Allocation may, however, take place earlier or later following a special decision to this effect by the board. The maximum number of employee options that can be allocated to participants is 200,000 employee options per person.

Granted employee options vest over three years as follows: 20% of granted employee options vest on February 1, 2024; 20% of granted employee options vest on February 1, 2025 and 60% of granted employee options vest on February 1, 2026. Participants may exercise assigned and vested employee options during the period February 1, 2026 to February 28, 2027.

The subscription price is set at SEK 30.00. All of these 900,000 options have been awarded in February 2023.

Employee stock option program 2023/2027

The extraordinary general meeting on September 20, 2023 decided on an additional employee option program comprising 1,000,000 options. These employee options shall be offered and awarded to employees based on the participants' individual performance during an evaluation period that shall last until December 31, 2023 (the "Evaluation Period"). Allocation may, however, take place earlier or later following a special decision to this effect by the board. The maximum number of employee options that can be allocated to participants is 200,000 employee options per person.

Granted employee options vest over three years as follows: 20% of granted employee options vest on October 1, 2024; 20% of granted employee options vest on October 1, 2025 and 60% of granted employee options vest on October 1, 2026.

Participants can exercise allocated and earned employee options during the period 1 October 2026 to 1 October 2027. The subscription price is set at SEK 8.30. A total of 995,000 of these options have been awarded in October 2023 and the distribution is as follows: CEO: 75,000 employee options; members of the Management Group in total: 525,000 staff options (maximum individual allocation 75,000); other employees: 470,000 (maximum individual allocation 50,000).

Below is a summary of the CEO's outstanding warrants and employee options:

Table 2 – Share option program for the CEO

	Main terms and conditions for the stock option programs								Opening balance 9	During the year			Outgoing balance		
	1	2	3	4	5	6	7	8		10	11	12	13	14	15
Executive name (position)	The name of the program	Performance period	Date of assignment	Date of vesting	End of lock-in period	Period of utilization	Exercise price (SEK)	Allotted stock options	Share options at the beginning of the year	Allotted stock options	Vested stock options	Share options with performance conditions	Allotted stock options that have not been vested	Vested stock options	Stock options subject to lock-in period
Pia Renaudin, CEO until 02 May 2023	Employee stock options	2020-2024	2021-02-01	2022-02-01-2024-02-01	2024-02-01	2024-02-01-2024-04-30	24,7	100 000	20 000	0	20 000	-	60 000	40 000	-
Pia Renaudin, CEO until 02 May 2023	Employee stock options	2022-2026	2022-12-31	2024-02-01-2026-02-01	2026-02-01	2026-02-01-2027-02-28	30,0	100 000	0	0	0	-	100 000		-
Philip Siberg, CEO from 03 maj 2023	Employee stock options	2023-2027	2023-10-01	2024-10-01-2026-10-01	2026-10-01	2026-10-01-2027-10-01	8,30	75 000	0	75 000	0	-	75 000	0	-

Application of performance criteria

The performance criteria for the CEO's variable compensation have been chosen to realize the company's strategy and to encourage actions that are in the company's long-term interest. When choosing the performance criteria, the strategic goals and short- and long-term business priorities for the year 2023 have been taken into account. The non-financial performance criteria further contribute to adaptation to sustainability and the company's values.

Table 3 – Executive Director's performance during the reported financial year: variable cash remuneration

The executive's name (position)	Beskrivning av kriterier hänförliga till ersättningskomponenten	Relative weighting of performance criteria	(a) measured performance and b) actual allocation/ compensation outcome
Philip Siberg (CEO)	Share price	50%	a) 22% b) SEK 320 650
	Sales target	30%	a) 59% b) SEK 0
	Qualitative goals	20%	a) 67% b) SEK 259 111

Comparative information regarding changes in compensation and the company's results

Table 4 – Changes in remuneration and the company's results during the last five reported financial years (RR) (kSEK)

	RR-4 vs RR-5	RR-3 vs RR-4	RR-2 vs RR-3	RR-1 vs RR-2	RR vs RR-1	RR 2023
Remuneration to the CEO (kSEK) *	2 530 (-5,2%)	2 399 (+14,8%)	2 754 (+10,2%)	3 035 (+28,1%)	3 889 (+10,0%)	4 280
Group operating profit (kSEK)	-24 541 (-39,5%)	-34 229 (-42,8%)	-48 866 (-72,3%)	-84 191 (-59,0%)	-133 905 (-2,6%)	- 137 360
Average remuneration based on the number of full-time equivalent employees** in the Parent Company (kSEK)	377 (+21,0)	456 (-17,6%)	376 (+9,9%)	413 (+5,4%)	435 (+42,5%)	620

* Combined 12 months' remuneration for both former and new CEO during 2023

** Excluding members of group management