



Report on salaries and other remuneration to leading personnel in SmartCraft ASA 2022



Introduction

This report on salaries and other remuneration to Senior Executive Management (the **"Report"**) of SmartCraft (the **"Company"**) is based on the requirements set out in the Norwegian Public Limited Companies Act of 13 June 1997 no. 45 (the **"Companies Act"**) section 6-16 a and 6-16 b, as well as Regulation on guidelines and report on remuneration for leading personnel of 11 December 2021 No. 2730 (the **"Regulation"**). The report is formulated in line with the European Commission's template for remuneration reports.

Information required by the Norwegian Act relating to Annual Accounts of 17 July 1998 no. 56 (**"Accounting Act"**) section 7-31 b is included in the Company's annual report for 2022 on page 45-46.

1. The guidelines for remuneration that the Company has adopted

The Board of Directors of the Company has prepared and resolved guidelines that govern the determination of salary and other remuneration to senior executive personnel in the Company (the **"Guidelines"**). The Guidelines was approved by the annual general meeting of the Company on the 20th of May 2022. This report, which gives an overview and an explanation of the salaries and other remuneration to senior executive management in 2022 is therefore based on the Guidelines.

Pursuant to the resolved Guidelines, the fixed salary for the senior executive management of the Company shall normally be the main element of the salary. The fixed salaries will differentiate based on the scope of work, responsibility, and performance. In addition to the fixed salary, the Company will use performance-related and personal bonuses that typically vary from 10% to 50% of the annual salary. The Company also has collective pensions schemes, and the senior executive personnel also receive other benefits such as mobile phone, internet access, insurance, and subsidized training subscriptions.

1.1 Key changes in the composition of senior executive management

There have been no changes in senior executive management in 2022.

Katja Widlund holds the position of Marketing Manager in a SmartCraft subsidiary. In October 2022, she was promoted to Chief Marketing Officer (CMO) for SmartCraft with effect from January 2023. She will be included in the remuneration report from 2023.

Details on the serving senior executive management can be found in table 2.

2 Remuneration to Board Of Directors

The remuneration of the Board of Directors is determined by the Annual General Meeting based on a proposal from the Nomination Committee. At the Annual General Meeting in 2022, the Nomination Committee proposed board fees for the period from the Annual General Meeting in 2021 to the Annual General Meeting in 2022.

The board fees in table 1 below are the actual fees paid during 2022.

<i>Amounts in NOK (thousands)</i>	Board fee	Audit Committee fee	Remuneration Committee fee	Total
Gunnar Haglund	350	40	10	400
Christina Skogster Stange	175	-	-	175
Bernt Ulstein	175	-	10	185
Maria Danell	175	-	-	175
Carl Ivarsson	Refrained	Refrained	-	-
Marianne Bergmann Røren	175	40	-	215
Allan Engström	Refrained	-	Refrained	-

Remuneration paid during 2022 is the first remuneration received by the Board of Directors after the listing on Oslo Børs.

3 Remuneration to senior executive management

The purpose of the remuneration of senior executive management is to strengthen the Company's ability to create long-term value by supporting business strategy and to ensure that the Company is run in a sustainable manner. The Board of Directors determines the remuneration of the CEO and the Guidelines. The CEO determines the remuneration of other members of senior executive management but shall discuss changes with the remuneration committee.

3.1 Base salary

The Company believes that the described fixed remuneration in addition to the variable remuneration, are competitive and fair compared to positions with similar responsibility, workload, and complexity in the same markets. The Company is therefore of the view that total paid remuneration contributes to the Company's interests of being able to recruit and keep highly qualified executive personnel, as also described as an important goal for the Company in the Guidelines.

The variable remuneration is based on achieving a certain level of revenue growth and EBITDA margin. The bonuses scale according to achievement. We believe these are the two main drivers to focus on in order to drive shareholder value. Additionally, a discretionary bonus element is based on specific projects like successful M&As, growth in new markets, new development projects, etc. For 2022 the transition to country management was a discretionary bonus element.

Table 2 below shows total remuneration the Company's senior executive management have been paid or have benefited from being paid by the Company in 2022 and 2021 for comparison. It also shows the respective relative proportions both of fixed and variable remuneration in the reported financial year.

Total compensation Senior executive management	Fixed remuneration		Variable remuneration				Pension expense ⁴	Total remuneration	Proportion of fixed and variable remuneration
	Base salary ¹	Other benefits ²	One-year variable ³	Multi-year variable	Extraordinary items				
Gustav Line (CEO)	TNOK	TNOK	TNOK				TNOK	TNOK	
2022	2 313	10	998	-	-	-	40	3 361	70% / 30%
2021	2 095	12	749	-	-	-	38	2 894	74% / 26%
Kjartan Bø (CFO)	TNOK	TNOK					TNOK	TNOK	
2022	1 370	10	-	-	-	-	40	1 420	100% / 0%
2021	1 214	22	-	-	-	-	37	1 273	100% / 0%
Christian Saleki (CTO)	TSEK	TSEK					TSEK	TSEK	
2022	1 269	84	-	-	-	-	265	1 618	100% / 0%
2021	631	8	-	-	-	-	146	786	100% / 0%

1. The basic salary is calculated as fixed pay, holiday pay and deduction made for vacation.
2. Total of reported value related to insurance, car, subsidized training, mobile phone and internet access.
3. One-year variable remuneration is bonuses received during the fiscal year. Bonuses are paid in cash.
4. Variable pension expenses paid during the fiscal year. The pension schemes for senior executives are in accordance with local regulations. There is no extra remuneration related to pension other than what is required by law.

3.2 Share-/option-based remuneration

Currently, SmartCraft has no option based remuneration program. To align the interest of the senior executive management and other key employees of the SmartCraft Group with those of the shareholders of SmartCraft it was established an equity-based long term investment program (the "LTIP"). The participants in the LTIP have acquired ordinary shares in an incorporated investment company (SMCRT MGMT 1 AS) that holds less than 1% of a subsidiary holding the shares in all operational companies of the group (SmartCraft Software AS). The offered signing price for each share was based on an estimated fair value of the group and equal to all participants of the program. The fair value estimation used an adjusted Volume-Weighted Average Price (VWAP) as quoted on the Oslo Stock Exchange measured over a period of 10 trading days prior to July 11th 2022 adjusted for business activities, assets and liabilities not related to SMCRT MGMT 1 AS. SmartCraft ASA holds preference shares in SMCRT MGMT 1 AS equal to 80 % of the shares issued, with a preferred right to distributions equal to a preferred return of 10% p.a. Distributions in excess of the preferred return shall be allocated pro rata in the ordinary shares.

Table 3 shows number of shares that was acquired by senior executive management as part of the LTIP.

<i>Number of shares held</i>	In LTIP	In SmartCraft ASA
Gustav Line (CEO)	500 000	2 078 025
Kjartan Bø (CFO)	750 000	298 000
Christian Saleki (CTO)	380 000	18 149
Other key employees	3 250 712	Not disclosed

3.3 Performance-based remuneration

For 2022 performance-based remuneration ("PBR") has been introduced for all members of the senior executive management. The performance-based salary can vary from 3.5% to 50% of the annual base salary depending on role. There is no minimum threshold for the bonus as there are defined measurable targets to be fulfilled related to a specific amount.

The Board of Directors sets the annual PBR scorecard for the CEO, including the goals and targets, respective weights, and pre-defined performance scale. The CEO sets the scorecard that applies for the rest of the management. The PBR scorecard should always include a financial, an ESG, and a discretionary element to align with the Company's strategy and remuneration guidelines. All PBR are short term, defined as no more than one year.

Table 4 shows the performance- based criteria and outcome for the CEO for 2022.

Bonus criteria for 2022	Potential bonus amount in TNOK	Measured performance	Actual reward in TNOK
Organic ARR growth 15%	185	16.7 %	185
Organic ARR growth 15-19.5%	370	16.7 %	139.8
Increased Adjusted EBITDA – R&D capex 1 pp (organically)	92.5	Increase 1.1 pp	92.5
Increased Adjusted EBITDA – R&D capex 1-2 pp (organically)	92.5	Increase 1.1 pp	9.3
Acquired companies' revenue 0-30 MNOK	185	MNOK 10.9	67.2
Discretionary	185	Executed well according to plan in an uncertain macro environment. Transformed organization to country management for better execution and alignment	185

There has been no claw back during 2022. Bonuses are determined and approved when the accounts for the previous year are finalized, and payments performed in the commencing period.

4 DEROGATIONS AND DEVIATIONS FROM THE REMUNERATION GUIDELINES AND FROM THE PROCEDURE FOR IMPLEMENTATION OF THE GUIDELINES

According to the remuneration policy the Board of Directors may decide to deviate from the guidelines in individual cases, provided it is necessary to protect the long-term interest and financial capacity of the group or safeguard the viability of the group. During the process of establishing the LTIP it was established that senior executive management and key employees would sign up for 20% of the shares in SMCRT MGMT 1 AS deviating from the 15% set in the guidelines. The preferred return for the shares owned by SmartCraft ASA (preference shares) was also updated from 8% to 10% p.a. The changes were assessed and decided by the Board of Directors would be in favour for the Company and in line with taxable standards.

5 The company's performance for the financial year 2022

2022 has been a year with focus on handling uncertainties related to the macro environment while at the same time continuing business as usual. Through the acquisitions of El-verdi in June 2022 and ELinn in October 2022 the group has gained valuable solutions and knowledge. They have all been successfully onboarded in 2022 and are performing according to plan. With a business strategy with focus on growth, increasing activity cross-company, and continuously acquiring new companies, the Group has also established a new country management structure.

SmartCraft has a solid balance sheet and is in a net cash position and has delivered results in accordance with guiding since the IPO in June 2021.

Revenue	EBITDA	EBT
TNOK 333 423	TNOK 128 419	TNOK 89 173

6 Information on changes in remuneration and the Company's performance

Table 4 below shows the change in remuneration paid to leading personnel over the past five financial years.

Annual change ¹	2018 vs. 2017	2019 vs. 2018	2020 vs. 2019	2021 vs. 2020	2022 vs. 2021	Figures for 2022
<i>Senior Executive Managements remuneration</i>						
Gustav Line, CEO	N/A	N/A Started September 2018	16 % TNOK 356	14 % TNOK 369	16 % TNOK 467	TNOK 3 361
Kjartan Bø, CFO	N/A	N/A	N/A Started October 2019	26 % TNOK 261	12 % TNOK 147	TNOK 1 420
Christian Saleki, CTO	N/A	N/A	N/A	N/A	N/A Started June 2021	TSEK 1 618
<i>Group's performance</i>						
Change in revenue	N/A	107 % TNOK 80 395	28 % TNOK 42 240	38 % TNOK 74 821	23 % TNOK 62 661	TNOK 333 423
Change in EBITDA	N/A	92 % TNOK 20 088	49 % TNOK 25 078	5 % TNOK 3 649	60 % TNOK 48 107	TNOK 128 419
<i>Average remuneration on a full-time employee</i>						
Other employees in the Group (FTE)	N/A	N/A	10 % TNOK 49	7 % TNOK 42	4 % TNOK 23	TNOK 654
Average FTE in the Group		143 % 57	19 % 18	40 % 46	14 % 22	183

1. The columns 2022 vs. 2021, 2021 vs. 2020 etc. represents the change in senior executive management's remuneration between the previous financial year where the comparative information in the table is to be provided. The annual change is presented as a percentage showing the difference, and in absolute numbers reflecting the total amount of senior executive managements corresponding to the two financial years being compared.

7 Consideration at General Meeting

In agreement with the Board of Director's proposal the Annual General Meeting passed the following resolution: "The board of directors' proposed guidelines for salary and other remuneration to leading personnel are approved".

The resolution was passed with 96.84% voting for, while 3.16% voted against the resolution.

March 27th, 2023

Board of Directors, SmartCraft ASA



Gunnar Haglund
Chairman



Carl Ivarsson
Board member



Christina Skogster Stange
Board member



Bernt Ulstein
Board member



Allan Engström
Board member



Marianne Bergmann Røren
Board member



Maria Danell
Board member



Gustav Line
Chief Executive Officer

Statement by the independent auditor



To the General Meeting of Smartcraft ASA

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

Opinion

We have performed an assurance engagement to obtain reasonable assurance that Smartcraft ASA report on salary and other remuneration to directors (the remuneration report) for the financial year ended 31 December 2022 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 Management

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. We apply the International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, and accordingly, maintain 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

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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, 27 March 2023
PricewaterhouseCoopers AS

A handwritten signature in blue ink, appearing to read 'Jone Bauge', is written over the printed name.

Jone Bauge
State Authorised Public Accountant

