

To the annual general meeting of Cloudberry Clean Energy ASA (the "**Company**")

## **INFORMATION FROM THE BOARD OF DIRECTORS ON THE PROPOSED CHANGES TO THE COMPANY'S EQUITY INCENTIVE PLAN**

### **Background**

The Guidelines for salary and other remuneration govern compensation of management and key personnel in Cloudberry (approved at the extraordinary general meeting held 17 June 2021).

According to the Guidelines, compensation of management and key employees consists of three elements: base salary, short-term incentives, and long-term incentives. Base salary depends on role, level, experience, and geography. Salaries should not be leading but competitive within the industry. Short-term incentives are Cloudberry's bonus program. This is a reward for past year's performance which varies depending on degree of goal attainment. Finally, long-term incentives are Cloudberry's equity program. Equity is awarded based on past performance and future importance and potential of the employee for Cloudberry.

Reference is made to the stock exchange notice dated 18 January 2023, where it was announced that the Company's board of directors (the "**Board**") had proposed to increase the Company's equity incentive program (the "**EIP**") from 5% to 10% of the at any time outstanding shares in the Company. It was further proposed to issue 12,700,000 additional warrants under the program. The new warrants will together with the previously issued warrants equal 7.8 % of the Company's currently outstanding shares. Each of the new warrants will give the holder a right to subscribe for one share in the Company at a strike price of NOK 12.60 per share, which represented the closing price on 18 January 2023. In accordance with the terms of the Company's equity incentive plan, the new warrants vest over a three-year period, with 1/3 annually. Warrants which have not been exercised in accordance with the terms of the equity incentive plan lapse after 5 years. The proposal to increase the equity incentive program and issue of the new warrants is subject to approval by the Company's general meeting.

In this memo, the Board and the compensation committee will provide further details on the background of the proposal.

### **The Board's considerations for the expansion of the program**

The majority of the feedback to the company from its stakeholders regarding the EIP has been positive. However, we have also received feedback from some shareholders asking for more information about the expansion of the EIP. There are also shareholders who question whether the current EIP and remuneration package is attractive enough to ensure that Cloudberry can recruit and retain the most talented resources.

It is the Board's view that the EIP is an important element of the total remuneration package for the Company's employees. Nevertheless, feedback received from stakeholders on this matter is important and has been carefully considered.

The key reason for the expansion of the EIP is the strong growth of the Company, increase in recruitments and expansion of key employees to the Company. This year's proposed increase in the EIP is extraordinary due to those reasons and does not reflect a normal average trend. In

addition, the expansion of the program is also motivated by the fact that most of the total issued warrants have a strike price well above the current trading price of the company's shares. The large fall in Cloudberry's trading price came after the Norwegian government without prior notice proposed a new 40% taxation on top of the basic company taxation on onshore wind farms in Norway.

It is further important for Cloudberry to keep fixed costs low and support this with a variable warrant structure. The Company also believes in sharing the upside with its employees to motivate, compensate and attract the right resources. Furthermore, the Company wants to attract people who are triggered by a possible upside and who are not primarily concerned with the highest possible fixed salary.

In the view of the Board, it is important to find a balance that aligns the interests of the shareholders and the Company while attracting and retaining in the Company's key employees. Due to the growth of the Company, the number of key employees has grown on all levels of the Company. It is on this background the Board has proposed to increase the overall cap of the EIP from 5 to 10%. The Board believes the EIP will work to align the interests of shareholders and the Company and attract and retain talented people.

### **Strike price for future awards**

Under the current EIP, the strike price for the warrants is determined based on the trading price of the Company's shares at the time of award. For future compensation discussions, the Board will consider alternative models, including determination of the strike price and hurdles, to further align the strike price with the shareholder value-creation over time.

On behalf of the Board of Directors,

*Signed electronically*

Frank J. Berg  
Chair of the Board

*Signed electronically*

Petter W. Borg  
Director and Head of the  
Compensation Committee