

Hagar's plc board of directors proposal on stock options

In accordance with article 7.2. in Hagar's plc remuneration policy, which was approved at the company's General Meeting last May, the company's board of directors proposes at the shareholders' meeting, on August 30th, 2024, that the following scheme concerning the stock option arrangement of Hagar plc to be accepted.

Statement of the board:

The following suggestion by the Hagar's plc board of directors on stock option scheme for the company's key personnel is based on the proposal that was presented at the company's General Meeting last May. At the General Meeting, the decision on the stock option scheme was postponed, and a new shareholders' meeting is therefore summoned for the matter.

The Hagar's plc board has, following the General Meeting, had discussion with some of the company's largest shareholders. Based on those meetings and the discussion at the General Meeting, the original proposal has been modified and in this way an attempt has been made to tackle the different opinions and expectations of the shareholders towards stock option schemes. It refers to that the total number of shares in the stock option scheme has been reduced, the maximum share per employee has been reduced and the interest rate for exercise price correction has been raised.

With the stock option scheme, Hagar's plc long-term incentive plan is maintained, which is intended to combine the interests of Hagar's plc key personnel and the company's shareholders, with a system that corrects for the yield requirement and distribution of the company's assets, thus making the stock option holders and shareholders equal. The stock option scheme replaces the older system and creates continuity and desired incentive for key personnel within the Hagar Group to strive for success and long term outlooks. The option holder only benefits from the option scheme through actions that have positive long-term influence on the share price, and the scheme is structured as not to take into account short-term influence on the company's share price. It is also assumed that the CEO and members of the executive board are obliged to retain a certain number of shares until a particular multiple of the basic wage is reached, when taxes have been deducted, until retirement from the company, in accordance with point 4 of paragraph 1, article 79, item a, of the Act on limited companies. The stock option scheme is otherwise in accordance with the specified paragraph 1 article 79, item a of the Act on limited companies and the guidelines of the Icelandic Chamber of Commerce, Nasdaq in Iceland and the Business Association on corporate governance.

Type of stock option scheme: Stock options issued by Hagar plc.

Participants: CEO, managers and certain employees in key positions.

Total number of shares in the stock option scheme: Up to 17,702,862 shares may be distributed, which corresponds to 1.6% of Hagar's plc share capital when the stock option scheme is approved. As part of this scheme, participants can have a maximum right to stock option amounting to 0.2% of Hagar's plc share capital upon approval of the scheme. In the event that stock options expire before the vesting date, new stock options may be issued to place the previous ones.

Allocation period: Stock options according to the option scheme shall be allocated following the Hagar's plc shareholders' meeting which is held on August 30th, 2024 and it will be permitted to allocate

stock options both regularly and in individual cases at later stages, if necessary, i.a. if stock options expire before the vesting date.

Vesting date: The stock option holder acquires 1/3 of the stock option each time when 12, 24 and 36 months have passed since the allocation.

Vesting period: Acquired stock options can be exercised by the stock option holder when three (3) years have passed since the allocation. Stock options may be exercised for a 10 working days window from the publication of the last fourth quarters financial statements after the stock options can be exploited.

Exercise price: Hagar's plc shares market closing price as was listed on Nasdaq Iceland in Icelandic krónur on May 31st 2024, i.e., the day after the company's 2024 General Meeting, computed with 5.5% annual interest from the 2024 General Meeting. Stock options that will be allocated after the end of September 2024 will have an exercise price that corresponds to the market closing price of shares in Hagar plc a day before allocation. The exercise price shall be adjusted (to decrease) for dividend payments and the corresponding distribution to shareholders of the company's assets, króna for króna. The exercise price shall also be adjusted with 5.5% annual interest (for increase) from the date of allocation until the first possible vesting date.

Other items and terms:

- The company is authorized to demand that stock option holders retain shares where personnel have exercised stock options according to stock option contracts. CEO and other members of the executive board of Hagar plc must withhold shares amounting to the amount of net profit from exercised stock options, when taxes have been deducted, until the following amount criteria are reached, measured in the value of the share capital in the company as a multiple of the basic salary: CEO 12 times the monthly wages; other members of the executive committee 6 times the monthly wages.
- In the event that the employment relationship of the stock option holder with the company is terminated before the end of each vesting period, the stock option for the relevant and subsequent vesting periods shall generally expire. The company is authorized to cancel this condition, i.a. if the option holder dies or retires due to events for which the option holder cannot be held responsible for. After the vesting period, stock options do not expire until the end of the exercise period.
- Should there be a change in control of the company, cf. Article 100 of the act no. 108/2007 on securities transactions, all outstanding stock options are immediately vested (acceleration of the vesting period).
- The company is not authorised to grant loans or any kind of guarantees in connection with the stock option scheme.
- The estimated cost of the stock option scheme, based on Black-Scholes calculations, is around 230 million ISK in the period. It is estimated that booked costs will be distributed in the following way in the coming years:

Financial year	2024/25	2025/26	2026/27	2027/28	Total
Costs in m.ISK	50,0	115,0	50,0	15,0	230,0