

## REMUNERATION POLICY

### INTRODUCTION

This document provides an overview of the remuneration policies of BrainChip Holdings Ltd (“BrainChip” or “The Company”).

It was prepared for the purpose of informing and educating external stakeholders about the methodology and performance metrics used by the Board in determining the appropriate remuneration and financial incentives for directors, executives, and employees of the Company.

In 2023, the Board undertook a comprehensive review of the Company’s remuneration policies and practices and determined that significant changes were required.

The new remuneration policies and practices, formally adopted by the Board of Directors, reflect current market and stakeholder expectations, being;

- performance-based;
- transparent;
- globally benchmarked; and
- aligned with the interest of shareholders.

In preparing this document, BrainChip seeks to demonstrate to its key stakeholders that its remuneration policies are equitable and transparent, in line with reasonable market expectations, and in the best interests of the Company.

### 1. REMUNERATION

BrainChip Holdings Ltd (“BrainChip” or “the Company”) is a US-based ASX-listed artificial intelligence company that develops and sells IP (intellectual property) and generates revenue from IP licence sales and royalties from the sale of royalty-bearing products using its IP.

The Company operates in an intensely competitive global market, where expertise and experience in a dynamic and fast-growing industry comes at a significant cost and where the need to hire appropriately skilled talent represents a material risk to the business.

This risk is not likely to ease in the near to mid-term future as tech talent is expensive and highly sought after, and the “right people” enjoy the ability to seek and receive significant remuneration packages. Ensuring the Company adopts a globally competitive and transparent remuneration policy is one way to effectively manage, mitigate and reduce this material risk.

### 2. EMPLOYEE AND EXECUTIVE SALARIES

As a relatively small publicly listed company, BrainChip competes against global tech companies to attract the best available talent. This talent is highly mobile and aware of its market value, so to be

successful in attracting this talent, BrainChip must offer competitive salaries, as well as other non-cash elements as part of its remuneration packages.

Global compensation benchmarking was conducted by US-based remuneration consultants in August 2021 on behalf of the Company and provided comparative salary data for key executive positions benchmarked against global tech industry competitors.

The report obtained provided a template for salary packaging for executives and employees that was both globally competitive and deemed to be appropriate for the Company in its current stage of growth.

This salary packaging benchmarking data provides an appropriately attractive salary range for each position within the Company. However, a base salary is not on its own sufficient to provide the necessary incentive to attract, retain and motivate staff, and align their interests to the long-term interest of the Company and its shareholders.

In addition to base salaries, the Company offers employees, executives, and executive directors a performance-based short-term bonus scheme with clearly defined performance metrics calculated on the achievement of a combination of Individual, Departmental and Company targets.

The Company also invites employees, executives, and executive directors to participate in a Long-Term Incentive Plan (LTIP) to acquire equity in the Company based on all-of-Company performance targets.

The opportunity for employees to gain equity in the Company, in the form of Restricted Stock Units (RSUs), ensures that employees and executives are personally motivated and incentivised over a longer period to remain with the Company, achieve Company goals and share in its long-term success. This is proven to ensure employees' interests are aligned with the interests of shareholders.

The Company intends to go out to market to obtain an updated global compensation benchmark report in 2024.

### **3. NON-EXECUTIVE DIRECTOR REMUNERATION**

The Company's board (Board) currently comprises six (6) directors, with four (4) independent non-executive directors, one (1) director (recently retired former CTO and former executive director) and one (1) executive director (the Company's CEO).

Non-executive directors (NEDs) are members of the Board but are independent of the management team and play a critical role in providing independent oversight, strategic guidance and accountability in the governance of the Company. Their focus is on providing leadership and guidance regarding longer-term planning and strategic decision-making, compliance, governance, policymaking and holding the management team accountable for the Company's performance.

NEDs are remunerated out of a pool of Directors' Fees, approved each year by shareholders, in accordance with the Company's Constitution and the ASX Listing Rules. Directors' fees (both executive directors and NEDs) are benchmarked against comparable global companies operating in the technology sector.

The compensation paid to NED's includes a flat annual fee, to compensate NED's for attending Board meetings, adding value and dedicating such of their time as is necessary to ensure that they discharge their duties as a director of the Company. NED's earn additional fees for membership of

and where applicable, chairing the Board and/or committees such as the *Audit & Governance Committee* and the *Remuneration & Nominations Committee*.

As part of the NED's compensation package and in addition to the cash component, each NED receives an annual equity grant in the form of Restricted Stock Units (RSUs).

These RSUs are granted, subject to Shareholder approval at the applicable Annual General Meeting, for nil consideration and in recognition of NEDs fulfilling their obligations effectively and the ongoing contribution each NED makes to the Company. The RSUs are the non-cash component of the NED's remuneration package and are subject to the NED remaining in office for vesting to occur.

NEDs are held accountable against performance criteria which include:

- demonstrating a clear understanding of their fiduciary duties to the Company and its shareholders;
- effectively overseeing the financial performance of the Company;
- providing independent oversight, free of any undue influence;
- remaining well-informed about the Company's risk profile and the steps being taken to mitigate risks.
- demonstrating commitment and engagement in board activities;
- actively participating in the development and review of the Company's strategic plans;
- actively contributing to Board discussions and debates, fostering a culture of open and constructive dialogue; and
- remaining vigilant about compliance with laws, regulations, and ethical standards.

Performance is assessed via annual peer and self-assessment, together with an evaluation of board practices and knowledge. The Board considers its composition and performance against the listed performance criteria annually.

Assessments, regular feedback and a commitment to best practice ensure NEDs fulfil their roles effectively.

#### **4. NON-EXECUTIVE DIRECTOR MINIMUM SHAREHOLDING**

**The Board has put in place a NED Minimum Shareholding Policy, which stipulates that:**

- 4.1 A NED shall establish and hold a Minimum Shareholding based on 1 year of the NED base cash remuneration (including superannuation if applicable) but excluding any compensation received for work undertaken on any committees or as Chair of the Board. (NED Minimum Shareholding Policy).
- 4.2 For the purposes of the NED Minimum Shareholding Policy, a Share is a fully paid ordinary share or any other equity instrument or right awarded to an NED in the Company.
- 4.3 Each NED is required to meet this NED Minimum Shareholding threshold within a 3-year period from the date the NED Minimum Shareholding policy is approved by the Board or, if appointed after the date the NED Minimum Shareholding Policy is approved, from the date the NED is appointed to the Board.
- 4.4 A NEDs shareholding shall be assessed annually at the end of each calendar year.
- 4.5 The pricing formula for calculating whether the NED Minimum Shareholding has been met is the 60-day volume weighted average price of the Company's shares calculated at the end of each calendar year.

- 4.6 Once the NED Minimum Shareholding is reached by an NED it must be maintained for the period of the appointment as an NED.
- 4.7 All compliance determinations relating to the NED Minimum Shareholding threshold (including 'top ups' where necessary) be delegated to the Remuneration and Nominations Committee for determination.

## 5. BONUS SCHEME

Bonuses can be paid to employees annually according to a short-term performance-based criteria, as per the BrainChip Employee Bonus Scheme, introduced in 2022 (**Bonus Scheme**). In general, employee bonuses, as well as executive bonuses, are set at a base target of a percentage of salary.

Total bonus payouts are determined through proportioning Company, Departmental and Individual performance metrics which are segmented into:

- Company-level goals,
- Departmental goals; and
- Individual employee goals.

Departmental and Individual metrics are set by department heads and managers, in conjunction with each employee, and are assessed bi-annually as part of the annual employee performance review process.

Company-level performance goals make up two thirds of the Bonus Scheme, and the performance areas are weighted according to the key management priorities of the Company and reflect the focus points of the Company at a given time. It is expected that as the Company grows and matures, these performance areas will change to reflect evolving priorities and focus points over time.

Company-level performance metrics are calculated with a focus on bookings and product development, as well as ongoing active risk management.

These metrics are segmented as follows:

**Bookings performance** considers a:

- baseline bookings target;
- sliding scale against percentage of bookings achieved; and
- multiplier which can be applied to the overall calculated bonus rate for bookings above the 100% target.

**Product development performance** focuses on meeting pre-defined deadlines for the delivery of next-generation technology products; with bonus payments decremented for each month a project is behind schedule.

**Risk Management performance** is assessed through the active maintenance of a comprehensive risk register, auditing and bi-annual reporting to the Board.

Once the year-end results are finalised, management presents the actual performance metrics to the Remuneration and Nominations Committee, with a formal recommendation to the Board to approve the bonus payout. Approval to pay the bonus is at the Board's discretion.

The Bonus Scheme does not apply to NEDs.

## **6. LONG-TERM INCENTIVE PLAN (LTIP)**

The Company recognises that in addition to offering competitive salaries and bonus schemes, there is a need to align the long-term interests of the Company's employees with its shareholders, through performance-based incentives.

The LTIP is based on three long-term strategic performance criteria conditions.

- Bookings;
- Conversion of bookings to revenue through service delivery; and
- Achieving a 3-year share price target.

LTIP performance metrics are all Company-level goals. The LTIP 3-year measurement period runs from 01 January in the year of the grant to 31 December a full 3 calendar years later.

50% of the total annual LTIP grant award is "at-risk".

The Booking goal has the potential to pay out anywhere from 50%-150% based on performance.

New-hire grants are awarded to employees when they join the Company after they complete their probationary period (where applicable). The value of this grant is based on a multiple of the employee's starting salary.

Annually, management prepares a formal request to the Board outlining the key components for the upcoming annual LTIP grant request as well as the total number of instruments to be awarded throughout the year.

Key components include the formula for calculating each employee grant, the share price used for all grant calculations for the upcoming year, the methodology used to determine the share price, and the performance criteria to be used to measure Company performance - each with a payout formula based on performance against the goals.

All LTIP grants are at the Board's discretion. The LTIP does not apply to NEDs.