

Frequently Asked Questions (FAQ)

HollyFrontier and Holly Energy Partners will begin granting long-term cash incentive awards, or LTCIs, in addition to time-based equity awards and performance-based equity awards, beginning with the 2022 granted awards. Please find frequently asked questions below.

1. Why is the Long-term Incentive program (LTI) changing?

HollyFrontier is adding the use of LTCIs as part of the LTI program to better align incentive opportunities with employee preferences, by providing a more predictable long-term compensation, so that employees will be better equipped when planning for the short and long-term. We also believe this is an important step in our drive to recruit, reward and retain the best talent in our industry, while remaining competitive with expected market practices.

2. What part of the LTI program is changing?

Long-term cash incentive awards will replace time-based equity awards as the primary type of award used to grant long-term incentives. Individuals assigned to specified career levels will receive a combination of LTCIs and time-based equity awards, and leaders in M5 level positions will receive a mix of performance-based equity awards, time-based equity awards and LTCIs. The table below outlines the LTI award mix by career level.

| Career Level | Performance-based equity awards | Time-based equity awards | LTCIs |
|-------------------|---------------------------------|--------------------------|-------|
| M5 | 33% | 33% | 33% |
| M4, M3, P6 and P5 | 0% | 50% | 50% |
| All other levels | 0% | 0% | 100% |

3. What type of long-term incentive awards will I receive?

For many, awards now will consist entirely of long-term cash incentive awards. For participants in certain career levels (see table above), awards will consist of LTCIs and time-based equity awards. For employees in M5 level positions, awards will consist of LTCIs, time-based equity awards and performance-based equity awards.

4. Are target LTI award values the same as the last grant?

Target long-term incentive percentages are determined by career level. Target percentages by career level are not changing for the 2022 grant.

5. How is my LTI award determined between shares and cash awards?

Target LTI awards are expressed as a percentage of your base pay. Your manager plans your LTI grant based on award value. The value of your planned award is converted into time-based equity awards or performance-based equity awards based on:

- the weighting at your Career Level, and
- the closing price of HFC stock on the date of grant.

For LTCIs, the value of your award is based on the weighting of your career level. For example, if you're assigned to an M3 level position, you are awarded \$30,000 USD, and the closing price of HFC stock on the date of grant is \$25, your grant will consist of 600 time-based equity shares ($\$30,000 \times 50\% / \$25 = 600$) and a \$15,000 long-term cash incentive award. On December 1 after the first anniversary of the grant date, you would vest in 200 time-based equity shares and receive a cash payment of \$5,000.

6. When do the LTI program changes start?

Changes to the HollyFrontier LTI program start with the 2022 awards, which are granted in October/November 2021.

7. What happens to the LTI awards I have already received?

Long-term incentive awards already granted will not change. The terms and conditions of those awards will continue to apply.

8. Will I continue to receive time-based Restricted Stock Units as part of my LTI award?

If your career level is P5, P6 or M3 or higher, you will continue to receive time-based equity awards as part of your annual long-term incentive award. The RSU portion of your award will represent 50 percent of the grant value, and if you are assigned to an M5 level, your award will consist of one-third each of LTCIs, time-based equity awards and performance-based equity awards. Time-based equity awards will continue to vest in equal installments on December 1 after the one, two and three year anniversary of the grant date. Performance-based equity awards will continue to vest at the end of a three-year performance period based on company performance.

9. Will the vesting schedule for awards of time-based equity awards remain the same?

Yes, time-based equity awards will continue to vest evenly over three years, or one-third per year. Time-based equity awards are scheduled to vest on December 1 after the one, two and three year anniversary of the grant date. For example, if you receive an award of 300 shares, 100 shares will vest on December 1 after the first anniversary of the grant, 100 on December 1 after the second anniversary and 100 after the third anniversary.

10. How will my time-based and performance-based awards be taxed at vesting?

When your awards vest, based on the fair market value of HollyFrontier stock, taxable income will be recognized in most countries. Unless you agree to pay taxes in cash when performance-based equity awards and time-based equity awards vest, HollyFrontier will withhold an appropriate number of shares/units to cover any applicable tax-withholding obligations.

11. How will my LTCI awards be taxed at vesting?

When your LTCIs vest, taxes will be withheld at the supplemental tax rate for employees in the U.S., and applicable withholdings in other countries.

12. If I work outside of the U.S., will my share-based awards continue to settle in cash?

Yes, RSU and PSU awards for employees based outside of the U.S. will continue to be settled in cash based on the fair market value of HollyFrontier stock at vesting. If you're interested in maintaining your holdings in HollyFrontier stock, you can use the cash payout to purchase HollyFrontier shares.

13. Will I receive dividends on long-term cash incentive awards?

No, LTCIs are not stock-based awards and will not receive dividends. However, LTCIs provide a predictable cash benefit over the vesting period as the value of LTCIs are not subject to changes in HollyFrontier stock price or Holly Energy unit price. Awards of time-based equity awards and performance-based equity awards will continue to receive dividend equivalents subject to Board approval.