

## Statement of executive remuneration

In accordance with section 6-16a of the Norwegian Public Limited Liability Companies Act, the Board of Directors of Kvaerner ASA has prepared a statement on the determination of salary and other remuneration to the CEO and senior executives of the Company. The General Meeting's approval of the guidelines is of an advisory nature to the Board of Directors. However, the approval of the guidelines regarding remuneration in the form of shares, subscription rights, options, and other forms of remuneration linked to shares or the development of the share price in the Company or in other companies within the group, are binding for the Board of Directors, cf. the Norwegian Public Limited Liability Companies Act section 5-6 (3) third sentence, cf. section 6-16a (2) fourth sentence.

### **Guidelines for remuneration of the President & CEO and the executive management of Kvaerner**

The main purpose of the executive remuneration programme is to encourage a strong and sustainable performance-based culture, supporting growth in shareholders' value. The total remuneration to executives consists of a market competitive base salary, standard employee benefits and participation in the company's performance related executive variable pay programme.

#### **Advisory guidelines**

##### *General*

The company practices standard employment contracts with standard terms and conditions regarding notice period and severance pay for the President & CEO and the executive management.

The executive and senior management positions are evaluated and graded in an international grading system in order to enable national and international market salary benchmarks. The market salary benchmark is performed on annual basis and the results of such benchmark for the members of the executive management team (EMT) shall be reported to the Kvaerner Board's Remuneration Committee. For the executives' direct reports and selected key positions, the results shall be reported to the EMT. The target is to maintain a total compensation level which is competitive compared to market median and reflecting the performance of the company.

##### *Benefits*

The President & CEO and the members of the executive management team participate in the standard pension and insurance plan applicable to all employees in the company.

##### *Severance pay*

Severance pay is applicable in case the company requests the resignation of the executive out of concern for the affairs of Kvaerner or there is a mutual understanding between the company and the executive to the effect that the employment shall be terminated. If so, the executive would be entitled to severance pay corresponding to three or six month's regular fixed salary. Severance pay does not imply the accrual of holiday allowance or pension entitlements.

#### **Binding guidelines**

##### *Variable pay programme*

The company has a deliberate policy of offering limited fixed benefits, and rather securing market competitiveness by offering participation in a performance related executive variable pay (EVP) programme. The objective of the programme is to recognise and reward the achievement of financial- and operational results as well as personal performance. The variable pay programme potential is maximised to 100 percent of the annual base salary. The earnings under the programme are dependent on the annual achievement of the financial targets, the company's key performance indicators and personal performance rating. 50 percent of the earnings under the variable pay programme are paid-out the following year, while the other 50 percent is deferred for three years and five months and paid-out along with a retention element which includes an element related to the development of Kvaerner ASA's share price.

For executives with variable pay programmes dating back to 2013 the following applies: Provided that the executive is still a Kvaerner employee on 31 January the year in concern, the executive shall in addition to the deferred amount receive an amount equal to 50 percent of the deferral, but maximum 30 percent of base salary (the "matching"). Furthermore, the executive shall receive a share premium. Calculation of the share

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premium is based on Kvaerner's share price development compared against the development of the stock index: Oslo Børs Benchmark Index (OSEBX) for the period from 2013 to 2016. Annual payments of the deferred and matching elements are made in January. The last payment under this variable pay programme was made in January 2016.

From 2014 the variable pay programme includes a restricted share programme replacing the retention element described above. The shares are bought by Kvaerner the year following the earning, and allocated to the executives three years and five months after. The share programme element will be calculated by share price as of 30 April (or the next workday if this date falls on a weekend) the year following the earning. The first year of share allocation under the executive variable pay programme is 2017. Eligibility to the retention element is provided the executive is still employed by the company, and that the company has not received notice of termination of employment, at the time of payment. The maximum annual payment under the programme is limited to the value of one annual base salary. The surplus shall be transferred and paid-out the forthcoming year.

#### *Share purchase programme for employees and management*

Kvaerner's share purchase programme was approved by the Board of Directors and introduced for the first time in 2012. The programme is subject to approval by the Board every year. The share purchase programme was executed in 2015. The employees and managers have been offered to buy Kvaerner shares for a maximum of NOK 60 000 with a standard discount of NOK 1 500 and a share price discount of 25 percent, with a lock-in period of three years. Participation in the employee's share purchase programme is financed by an interest free loan to be paid back by 12 month's deduction in salary. Furthermore, senior managers are invited to buy shares for up to 25 percent of annual base salary with a share price discount of 25 percent. Given the discount, the lock-in period is three years. Purchase of shares under the management share purchase programme is settled in cash payment.

#### *Share options programme*

The company does not offer share options programmes to any managers or employees.

#### **Guidelines for settlement and approval of executive compensation**

The Kvaerner Board's Remuneration Committee assists in the discharge of the Board of Directors' responsibilities with respect to compensation of the President & CEO and the executives.

The committee is comprised of three Directors from the Board of Directors, each of whom shall be free of any relationship that, in the opinion of the Board of Directors, would interfere with his or her exercise of independent judgement. The Chairman of the Remuneration Committee shall be appointed by the Board of Directors. The President & CEO of the company and/or his representative(s) may participate in the meeting of the Remuneration Committee. The President & CEO of the company and his representative(s) shall not participate in the Remuneration Committees' discussion of the President & CEO's terms and conditions.

According to the Remuneration Committee charter, the committee shall carry out annual compensation review for the President & CEO and propose any changes of the compensation to the Board of Directors. The Board of Directors approves the compensation for the President & CEO.