

## 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 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 to the President & CEO and the executive management of Kvaerner

Kvaerner shall maintain an individual compensation level which enables the company to attract and retain executives with the right attitudes, skills and the ability to deliver strong performance in accordance with Kvaerner's values and Code of Conduct. Kvaerner aims to reward attitudes, skills, performance and results. The total remuneration shall be internally fair, consistent, comprehensible and competitive without being market leading. The total remuneration for the President & CEO and the executives consists of three main elements; annual base salary, benefits and variable pay. New executives as of 1 October 2019 has a fourth element; base salary increment which is dependent on EMT membership.

## Advisory guidelines

### General

The company applies standard employment contracts and 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 shall be performed on regular 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.

The target is to maintain a total compensation level which is competitive compared to the Norwegian market median.

### Benefits

The President & CEO and the members of the executive management team are members of the standard pension and insurance plans applicable to all employees in the company. Other benefit programmes are not granted.

### 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 an executive variable pay 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 80 percent of the annual base salary<sup>1</sup>. 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. 60 percent of the earnings under the variable pay programme are paid out the following year, and for the purpose of retention the other 40 percent is deferred for three years and paid out along with a matching element paid in shares. The number of shares in the matching element is calculated as the deferred amount divided by the share price as of 30 April (or the next workday if this date falls on a weekend) the year following the earning. The shares will be bought by Kvaerner the year following the earning and allocated to the executives three years later. Allocation of the shares to the executive is provided the executive is employed by the company at the time of allocation. The maximum annual payment under the programme is limited to one annual base salary. The surplus shall be deferred and paid out the forthcoming year.

### **Employee share purchase programme**

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 on annual basis. In 2019 the employees and managers in Norway have been offered to buy Kvaerner shares for a maximum of NOK 60 000 with a maximum discount of NOK 3 000 and a share price discount of 20 percent, with a lock-in period of two years. Participation in the employee's share purchase programme is financed by an interest free loan repaid by 12 months deduction in salary.

### **Share options programme**

The company does not offer share options programmes to 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.

The executive wage settlement shall be recommended by the administration and shall be approved by the Remuneration Committee in accordance with the one-over-one principle set out in the Kvaerner People Policy.