Guidelines on determination of salaries and other remuneration for leading persons in OKEA ASA

1. Introduction and governance

These guidelines (the "guidelines") govern the determination of remuneration to leading persons in OKEA ASA (the "company"). These guidelines were determined by the board of directors at the board meeting on 30 March 2022 [and approved by the general meeting 12 May 2022]. The guidelines describe the principles for the remuneration of the members of the board of directors, the chief executive officer (CEO) and of the members of senior management team. For employees who are members of the board, the guidelines are applicable for remuneration and benefits related to their role as board members.

Remuneration to members of the company's management is vital for harmonising the company's interests with the interests of the leading persons. The main purpose of these guidelines is to allow shareholders to influence the parameters of the salary and other kinds of remuneration, creating a culture for remuneration that promotes the company's long-term interests, business strategy while ensuring shareholders influence in the company's financial sustainability.

The guidelines have been prepared in accordance with the Public Limited Liability Companies Act § 6-16a and 5-6 third paragraph, supplemented by the Regulations on guidelines and reports on remuneration for leading personnel, and by the recommendations in section 12 of the Code of Practice issued in October 2021 by The Norwegian Corporate Governance Board.

The guidelines have been drafted by the board's people and organisation (P&O) committee and subsequently reviewed and approved by the board. This committee is established to ensure that remuneration to leading persons support the company's strategy and enable the recruitment, succession planning and leadership development, and performance and retention of senior management. The remuneration shall comply with the requirements of regulatory and governance bodies, satisfy the expectations of shareholders and remain consistent with the general expectations of the employees in the company. Details on the committee organisational responsibilities is found in the annual report. The guidelines are reviewed yearly in the committee and potential amendments are presented to the board for approval, and if relevant presented to the general meeting for approval. The board has established procedures for handling of potential conflicts of interest. Senior management do not serve as board members in the company.

The board may, in special circumstances, temporarily deviate from the guidelines. The board may deviate from all elements of the guidelines when deemed necessary in order to safeguard the company's long-term interest and financial sustainability or ensure the company's viability. This may include incorporating additional remuneration elements to attract key senior management functions or reducing/removing remuneration elements if the board considers it appropriate. Should the board decide that such deviation from the guideline is necessary, the decision shall be made in a board meeting and the reasons for the deviation shall be included in the minutes of the relevant board meeting.

The board shall decide on salaries and other remuneration of the CEO. The CEO determines salary and other remuneration of other senior management pursuant to these guidelines. The board, principally through its people and organisation committee, shall have the overall oversight of the remuneration of the company's senior management. If the CEO believes that a temporary deviation from the guidelines is necessary, this should be presented firstly to the people and organisation committee for consideration and subsequently to the board of directors for approval pursuant to the process described above.

Board fees including fees for the employee elected board members are decided by the general meeting.

2. Overall remuneration policy

The company has established a remuneration policy for the company which is applicable for all employees. All positions in the company have been evaluated according to the Korn Ferry Hay methodology and concluded in the OKEA position architecture. Based on this, the company is able to benchmark the positions with peers in the relevant market. Benchmark is performed on an annual basis. The remuneration policy states that the benchmarked relevant market median is the target for all employee's total salary package.

The remuneration policy supports the implementation of the company's strategy and the achievement of overall company goals and is built on the company's values and contribute to the desired corporate culture. The policy shall contribute to the company being able to attract, develop, and retain people with the right competence, both professionally and behaviourally, in accordance with the requirements for each individual position.

To ensure that the salaries and other remuneration elements for the CEO and senior management support the achievement of the corporate strategy and goals they shall follow the general remuneration policy, which is based on the following main principles:

- The remuneration policy shall contribute to build culture – «We OKEA» – which is characterised by genuine commitment and ownership to develop the entire company, with focus on the company's values: open, engaged, responsible and ambitious
- The remuneration policy shall attract, retain and develop employees with the right competence, meaning that it should be competitive, motivating and with the necessary room for flexibility
- The remuneration policy shall be predictable and clear to all employees
- The remuneration policy shall include both financial and non-financial incentives

The compensation benefits for senior management shall be set at a level that can be justified with due regard to the company's financial situation.

3. Fixed remuneration

To implement the company's business strategy, long-term interests and financial sustainability, leading personnel in the company are eligible to receive the following fixed remuneration from the company.

Base salary

The base salary is the main element in the salary package. The base salary must be competitive and reflect the level of responsibility in the role but should not be wage leading. This will attract and retain executives/leading personnel with a competitive level of regular income.

4. Variable remuneration

The company seeks to incentivise strong performance and alignment with short and long-term company strategy and objectives through the use of variable remuneration. Variable remuneration shall as a main rule be based on objective, definable and measurable criteria and contribute to the company's business strategy, long-term interests and financial sustainability.

Ordinary annual bonus

The company has as a part of their salary system an ordinary share bonus scheme for all employees which also applies to senior management. The allocation under the share bonus scheme is the same for all employees and can be up to 40 % of base salary with a target value of 20 %. The specific criteria (KPIs) for the ordinary share bonus are determined by the board of directors on an annual basis and are designed to promote a corporate culture which is focused on value creation and excellent health, safety and environmental performance. The board determines the level of achievement of the KPIs, based in verified documentation from the CFO. The bonus is awarded as a cash amount with an obligation to purchase OKEA shares. If shares are not documented as having been purchased within a defined period, the employee (including those in senior management) will be obliged to repay the amount to the company. Employees who have submitted notice of termination at the time of payment are not entitled to receive bonus. Shares purchased under the bonus scheme have a lock-up period of 12 months, starting from the end of the purchase period.

The board can recover bonuses paid to the senior management in the unlikely event of outcomes based on information which is subsequently proven to have been manifestly misstated.

One-off remuneration

One-off remuneration elements, including sign on bonuses, may be used for the recruitment of CEO and senior management. This may also include award of shares. Value of one-off remuneration shall be set with due regard to the company's financial situation at the time of decision.

Award of shares/long term incentive program

The CEO and senior management are eligible to participate in the company's long-term share incentive scheme, which is designed to incentivise and retain key employees who the company has identified as being critical to delivery of the company strategy. The board will determine who will be eligible to participate together with the individual number of shares awarded based on an overall consideration of the company's strategic goals and succession planning. The shares each recipient is awarded shall be allocated over two to three years.

Award is contingent upon the key employee not having submitted notice of termination at the time of each issue. There are no other specific criteria or KPIs related to the award of shares. Shares allocated under the long-term incentive scheme have a lock-up period of 12 months, with the exception that up to 50% of the shares may be sold to cover tax expenses. The shares are issued at par value. The value of the award for each recipient depends on the current share price at time of issue and the number of shares awarded.

As this incentive scheme entails issuance of new shares, it will require approval from the general meeting.

The board may resolve to make changes to the long-term share incentive scheme, including identifying additional recipients and potentially extending the scheme.

The company will establish a new long term incentive program during 2022. The purpose of the new long term incentive program is to provide incentives in the form of award or grant of shares to senior management employees to ensure retention and competitive remuneration.

Individual pension schemes, early retirement agreements

The company may enter into various individual pension schemes/agreements or early retirement agreements applicable for the CEO and other members of the senior management. No early retirement agreements have currently been entered into. The company has entered into an individual pension compensation agreement for one member of the senior management.

The company is obliged to have an occupational pension scheme under the Mandatory Occupational Pensions Act. OKEA's pension schemes exceed the minimum requirements of the law. Senior management participate in the company's occupational pension scheme. Offshore employees with retirement age of 65 years, have an additional defined benefit plan to cover for the age 65-67. The company is part of the AFP ("Avtalefestet Pensjon") arrangement, which is a collectively agreed pension scheme in the private sector. AFP is an ungraded lifelong supplement to the retirement pension from the national insurance scheme, that can be utilised after 62 years.

Termination periods and severance pay

The company's CEO should normally have an agreement that addresses the ability for an immediate resignation if the board believes that this is in the company's best interest, which should include agreements on severance pay. Severance pay should normally not exceed 24 months of base salary. The CEO will normally have 6 months' notice period in case of termination. Current CEO agreements have 6 months' notice periods and up to 18 months base salary severance pay periods.

Agreements on severance pay may also be entered into for other senior management as required to ensure that the composition of senior management is in accordance with the company's needs. Such agreements will only be binding to the extent permitted by the Working Environment Act. Senior management should normally have 3 months' notice period in case of termination. All current senior management employment agreements are within these parameters.

Other benefits

The CEO and other members of the senior management can be awarded benefits in kind such as coverage of housing, free telephone, health insurance, home PC, free broadband connection, newspapers and parking. There are no special restrictions on what kind of benefits can be agreed upon, but it is expected that these will be "reasonable" and in line with usual practice in comparable companies or situations.

Overview of compensation elements

	Description, purpose and link to strategy	**Process and governance**	**Estimated relative share (range) of total reward**
Base salary	Fixed cash remuneration paid monthly. Provides predictable remuneration to attract and retain people with the right competence.	The P&O committee and the CEO reviews senior management salaries every year as part of the review of total remuneration.	60-70 %
Ordinary annual bonus	Annual bonus is paid to all employees including CEO and senior management for performance over the financial year. Bonus is set to 0 % - 40 % of base salary with a target of 20 %, depending on KPI achievement. Signals and rewards the strategic and operational results and behaviours expected for the year that contribute to the long-term value creation.	Measurable financial and non-financial KPIs are set by the board in line with strategy, goals and targets, focused on value creation and excellent health, safety and environmental performance. The board determines the level of achievement of the KPIs, based on verified documentation from the CFO.	20-25 %
Long term incentive program	Award of shares at par value. Designed to incentivise and retain CEO and senior management who the company has identified as being critical to delivery of the company strategy.	The board will determine the individual number of shares awarded based on an overall consideration of the company's strategic goals and succession planning.	10-25 %*
Benefits	Predictable benefits to cover ordinary work-related expenses.	The company reviews benefits and contractual terms regularly to ensure that the company does not fall behind the market. Benefits are set with reference to external market practices, internal practices, position and relevant reference remuneration.	5-10 %
Total			100%

* Value dependent on share price at time of issue

5. Board remuneration

The remuneration of the board members is based on a fixed monthly fee and meetings fees for both board and board committee meeting. None of the shareholder elected board members have pension schemes or termination payment agreements with the company. The company does not grant share options to members of the board.

The general meeting decides the remuneration of the board and the sub-committees. The nomination committee proposes the remuneration of the board to the general meeting and ensures that it reflects the responsibility of its members and the time spent on board work. The board must approve any board member's consultancy work for the company and remuneration for such work. Information about all remuneration paid to individual board members is provided in the notes to the annual accounts and the remuneration report.

Salaries and other remuneration to the employee elected board members

The company has employee elected board and deputy board members in accordance with the public limited liabilities companies act. The board and committee fees for the employee elected members are determined by the general meeting following a proposal from the nomination committee. The following guidelines applies for ordinary salaries and other remuneration for employee elected board members and deputy board members:

- Employee elected board members who receive full board and committee fees at the same level as the shareholder elected board members shall not any receive salary from the company for the time spent on board meeting and board work, including any preparation time. Should the employee elected board members not receive full board and committee fees at the same level as the shareholder elected board members, they may receive salary for time spent on board meetings and board work.
- Employee elected board members are entitled to compensation of ordinary and necessary travel cost to the same extent as shareholder elected board members.
- For employee elected board members with offshore workplaces the company shall use its best endeavours to facilitate possibilities to attend board meetings via telephone or video conference offshore should the board meetings take place during work periods. Should such participation not be possible, the relevant deputy board member shall be asked to attend the meeting.