

Noreco Executive Remuneration Policy

(Amendment of guidelines approved by the Annual General Meeting 19 May 2021)

In accordance with section 6-16a of the Norwegian Public Limited Liability Companies Act, the Board of Directors (the “Board”) of Norwegian Energy Company ASA (“Noreco” or the “Company”) has prepared guidelines related to the determination of salary and other benefits for the executives of the Company (the “Policy”). It is the view of the Board that this Policy supports the Company’s strategy and long-term interests.

The Policy is presented for approval by the Company’s annual general meeting (“AGM”) to be held on 19 May 2022 to apply for a four-year period, or until the general meeting resolves changes to the Policy if earlier.

1 Introduction and alignment with strategy

The Policy is designed to be in line with the Company’s overall business objectives, long-term interests and financial sustainability. The total compensation for the executives of the Company shall be competitive, reflect the accountabilities and effort required, reward success and not the opposite, and ensure alignment of interest with shareholders and the Company’s strategy.

2 Remuneration Governance

2.1 Remuneration of the Board

The annual general meeting for shareholders decides the remuneration of the Board and if relevant, its sub-committees. The Nomination Committee proposes the remuneration of the Board to the AGM and ensures that it reflects the responsibility of its members and the time spend on board work.

The Board must approve of any Board member’s consultancy work for the Company if relevant and remuneration for such work.

2.2 Remuneration Committee

While the Nomination Committee recommends annually the compensation for the members of the Board for approval at the annual general meeting for shareholders, the Remuneration Committee is a preparatory and advisory committee for the Board with regard to Executive Management’s compensation.

The Remuneration Committee is established by the Board and consists solely of Board members.

Periodically and at least once annually the Remuneration Committee reviews the policy and recommends to the Board any amendments to be proposed for adoption by the AGM. Further, the committee shall monitor, evaluate and approve the application of the guidelines and the remuneration elements provided to Executives Management. Correspondingly, the Remuneration Committee is responsible for preparing the annual Executive Remuneration report for Board’s approval and for vote at the AGM.

2.3 Remuneration to Executives – Decision Process

Remuneration of the Chief Executive Officer (“CEO”) or Managing Director (as appropriate) and Chief Financial Officer shall be recommended by the Remuneration Committee to the Board for approval. The CEO or Managing Director (as appropriate) may decide on remuneration to other Executives, which shall be informed to the Remuneration Committee and the Board.

The Board is responsible for adopting the Policy with elements to be included in the executive’s compensation plans and guidelines for the determination of the actual annual compensation.

The Board shall assess each element of the compensation plan holistically. The Board shall receive an overview of the aggregate value of the agreed remuneration to the executive on an annual basis. Generally, the performance for the past year and the assessment of any adjustment in fixed salary, is reviewed and managed during the first half of the new fiscal year.

Variable salary is based on metrics set by the Board annually. Variable salary elements for the Executives shall generally be linked to the Company's results and determined at the discretion of the Board. The Board’s discretion shall, inter alia, consider achievements on financial, operational and organisational targets as further explained in this Policy.

2.4 Wider workforce considerations

When setting remuneration for Executives, wider remuneration across the Noreco group, including salary increases, bonus awards, share plan participation and pay ratios between Executives and other employees shall be considered. In-depth reviews to develop a deeper understanding of demographics across the organisation, the differences in total reward across various employee groups and geographies and key areas of focus on culture and reward could be considered. This also to safeguard non-discrimination and equal treatment.

Noreco is committed to sharing business success across the organisation, with all employees participating in an incentive plan based on aligned principles.

2.5 Deviations from the Policy

The Board may decide to deviate entirely or partly from the Policy in individual cases, provided that there are circumstances which make such deviation necessary, this could be to serve the long-term interests of the Company, for recruitment or for retention purposes. Such adjustment may include granting a cash bonus to one or more executives for an extraordinary performance, which could not be taken into account when setting the targets at the beginning of the year.

Any such deviation shall be approved by the Board and be described in the remuneration report produced each year.

Upon proposing material changes during the Policy period, the Company will either seek approval in an annual general meeting or call for an extraordinary general meeting to solicit approval. The Company will in the calling notice describe the proposed changes and take note of shareholders’ voting over the Company’s remuneration policy and remuneration report for the previous fiscal year.

Otherwise, the Board will ensure that the Policy is reviewed and presented for approval by the annual general meeting at least every fourth year.

3 Overview of remuneration components

The total remuneration for Executives consists of fixed and variable remuneration.

Fixed salary forms the basis for the total compensation together with variable pay in order to align the Executives' incentives with shareholder value creation. The Company has established policies and practices that cover terms related to pay, pension and other employee benefits.

Executives of the Company may have multinational positions and be offered employment contracts through the Company or a subsidiary when immigration, taxation, corporate and employment legislation make such relevant and the Company finds it relevant for Executives to be present in locations outside Norway. Employment contracts are for permanent employment and in line with requirements of the local jurisdiction.

Remuneration for any new Executives (if appropriate) will be in line with this Policy. Remuneration forfeited from prior employment may be compensated if this is deemed to be beneficial to the Company and is considered on a case-by-case basis.

3.1 Fixed Remuneration

Fixed salary

The fixed salary (the gross annual salary before tax and before variable pay and other additional benefits are calculated) shall be reasonable, balanced and represent a significant component of executive compensation.

The Company is to provide competitive fixed salaries suitable to attract and retain individuals of the right calibre to develop and execute the business strategy.

The fixed salary should upon commencement of employment reflect the role's accountabilities and impact on business performance and results, experience and expertise required and be determined based on market and industry benchmarking. The fixed salary is to be assessed regularly and depending on the industry and Company context considered for annual adjustment based on contribution to business results, individual performance and capabilities demonstrated.

Benefits in kind and other special schemes

Executives will be given benefits in kind in line with common market practice and company policies, which currently include mobile phone, laptop and broadband at home.

As part of the Company's aim to reduce its carbon footprint, neither company car or car allowance is offered as part of executives' terms.

When relevant and based on the Company's need to have executive capabilities on different locations which will imply permanent or temporary relocation for a recruited candidate or a current executive, relocation and/or accommodation allowance as part of employment or relocation terms can be offered.

Additional benefits or remuneration may be offered under certain circumstances if deemed necessary, provided that such extraordinary benefit or remuneration is made at an individual level.

The Company has no policy or practice for offering Executives or any of its employees any loans, guarantees or other forms of credit from the Company and no Executive has been given such.

No Executive receives any additional remuneration for board appointments in any of the Company's subsidiaries.

Pension schemes

The Executives are members of the defined contribution pension and insurance schemes applicable to all employees in the Company and its affiliates. Pension and insurance schemes are set in line with local rules governing pension entitlement, social security entitlement and taxation and local market practices.

In Norway, disability pension is included in the pension scheme according to market practice. However, no top hat pension above 12 times the general amount has been established for Executives and no early retirement pension plan is nor will be established. Outside Norway, pension programmes also include employee contributions.

3.2 Variable Remuneration

The Company shall offer a variable pay programme as part of its total remuneration to Executives in order to incentivise the execution of the business strategy, delivery of financial targets and to ensure long-term value creation.

The variable pay programme shall consist of a potential payment of cash bonus based on (i) the Company's performance, which shall include financial, strategic and operational results, as assessed by the Board and/or (ii) the individual's personal performance, including overall contribution to the Company.

The cash-based element of the annual Short-Term Incentive scheme may in normal circumstances be up to a maximum of 60% of fixed salary.

Short-term Incentive ("STI") Schemes

The Company has implemented an STI scheme for Executives that incentivises delivery of short-term strategic priorities, performance improvements and behaviour that are consistent with long-term value creation. Both collective and individual performance are recognised.

Delivery against the annual operations ("Operational") and financial and commercial ("Corporate") Key Performance Indicators ("KPIs") approved by the Noreco Board of Directors determines the annual bonus pool for payment. The KPIs are equally weighted across Operational and Corporate objectives. Successful delivery for each of the two categories have a theoretical maximum contribution of 75% and a theoretical maximum reduction of 50% for non-delivery of KPIs. The actual contribution from Operational and Financial KPIs is capped at 100%. The KPI outcome on a percentage basis is then applied to the maximum award levels, which equates to 60% of annual salary. In a low performance case where the reduction to the bonus pool is higher than the positive contribution, no bonus is paid.

Distribution of individual bonus to be paid will be determined based on the individual's rating set by immediate leader as part of the Company's annual performance review. The Board assess the performance of Chief Executive Officer or Managing Director (as appropriate) and Chief Financial Officer.

The performance period will normally follow the calendar year.

In addition to the Annual Performance Bonus programme, the Company has a one-off bonus programme for Executives and employees recognising exceptional contribution that is otherwise not fully captured under the KPIs. The maximum potential under this one-off bonus programme is 10% of annual salary.

For work on special projects, other achievements or if deemed necessary or beneficial to the Company, an executive may be awarded additional cash bonus.

Long-Term Incentive (“LTI”) Schemes

Noreco’s LTI scheme is intended to align the incentives of Executives and shareholders and recognise the organisation’s success in driving long-term value creation across a multi-year horizon.

The Company has previously implemented a Share Option programme to ensure additional alignment with shareholders and the business strategy of the Company, and to further facilitate recruitment of key personnel. The Board was on 8 November 2018 (and later amended) authorized to grant options to acquire shares in the Company. The share options may be granted to the members of the Board, key personnel and employees of the Company (“Participants”). Grant of options is done by the Board, usually as a one-time award, e.g., upon commencement of a new employment. The number of share options granted is determined by the Board and considered on an individual basis.

Options awarded to Participants have a three-year vesting period, with 1/3 vesting for each of the three years, unless otherwise approved by the general meeting of the Company. After awarded, the options must be exercised within 5 years after which they expire. There is no lock-up period for the shares acquired as a result of exercising options.

The Board may at its discretion decide to settle the options through other means including, but not limited to, (1) the issuance of performance shares equal to the value of the options net of exercise price (“Net Value”) with a corresponding vesting period to the options, or (2) cash equal to the Net Value at the time of exercise. Any new Executive may, on joining the Company, be awarded options and / or performance shares up to a value of 100% of annual salary, subject to the full discretion of the Board.

If (i) the employee terminates the employment/engagement with the Company group, (ii) the Company terminates the employment/engagement due to reasons on the part of the Company or (iii) death or permanent incapacity for work (*Nw.: uførhet*) or retirement on reaching the age at which the employee is entitled to or bound to retire in accordance with the terms of the employment contract, the employee shall be entitled to exercise all vested options at the time of the decision of resignation/termination (as opposed to the time of actual ending of the employment/engagement).

The Board is also authorised to grant performance shares to the Company’s Executives per the Long-Term Incentive scheme equal to 100% of annual base salary.

The award of shares under this LTI programme, after the three-year performance share vesting period, will be based on performance against a weighted set of KPIs set measuring share price performance on an absolute and relative basis (70%), emissions reduction performance (20%) and tenure (10%). Clawback provisions covers the compensation already paid out. If the clawback is triggered, the employee must surrender to the Company any gains from shares vested and transferred within a certain time. Clawback may be triggered where the employee has breached regulations/guidelines/policies with intent or gross negligence.

The value of shares awarded following the vesting period will be capped at 300% of annual salary.

4 Other terms and benefits

The employment contracts of Executives can be terminated by a mutual six months' period of notice, which give the Company sufficient time to implement a continuity plan for transfer or reallocation of responsibilities and critical tasks.

In accordance with applicable law, the employer may request the resignation of the CEO at its own discretion but will be obliged to pay salary in lieu of notice equal 12 months.

A severance pay is applicable upon a change of control of the Company if the executive resigns subject to instructions from the Company. A total payment up to 12 months' fixed salary including notice period could be entitled.

A confidentiality clause is included in all the Company's and its affiliates' employment contracts. Additionally, for Executives as they are considered having highly trusted positions being involved and with access to confidential and sensitive information, a 6 months' non-compete clause can be invoked. A compensation corresponding a pro rata payment equals the fixed salary applies if the Company invokes the clause. Provisions governing reduction based on other remuneration or income accrued in the non-compete period pertain.

In case of termination initiated by the Company the funding of reasonable outplacement programme for an executive will be considered where appropriate, as for any other employee.