



KONGSBERG

Attachment Item 9  
Annual General Meeting  
Kongsberg Gruppen ASA 6 May 2021

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## Kongsberg Gruppen ASA

### Board guidelines

### Remuneration of leading persons in KONGSBERG

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## 1. Introduction

### 1.1. Document history

Revision	Date	Change description
	01MAY2021	First issue

### 1.2. Referenced Documents

Reference and Title	Doc ID	(Rev/Date)	(Publisher)
Regulations on guidelines and report on remuneration for leading persons	FOR-2020-12-11-2730	01.01.2021	Ministry of Industry and Fisheries

### 1.3. Objective

The purpose of the Guideline is to facilitate increased long-term shareholder engagement by creating transparency about the pay policy and the actual remuneration of individual persons in the company's management, as well as to create a better connection between management's remuneration and the company's results.

### 1.4. Scope

The scope of the Guideline follows from Public Limited Companies Act 6-16a and the Accounting Act 7-31b and includes the company's directors and leading persons in the group management. Only salary and remuneration are provided by effect of being directors and senior persons in the group management that are covered.

### 1.5. Deviation

All exceptions to the principles described in this Guideline may only be made after approval from the General Meeting.

In the event of changes to the Guideline, significant changes shall be described and explained in the Guideline. The Guideline shall describe and explain how shareholders' views on the Guideline, the general meeting's vote and the wage reports since the last vote on the guideline are taken into account.

### 1.6. Definitions

KONGSBERG	Kongsberg Gruppen
CEO	Chief Executive Officer
EVP	Executive Vice President
HR	Human Resources
KOG	Kongsberg Gruppen
BU	Business Unit, such as Kongsberg Maritime, Kongsberg Defence & Aerospace and Kongsberg Digital
STI	Short Term Incentive scheme – income pay scheme
LTI	Long Term Incentive scheme – long-term equity programme

EBIT	Earnings before interest and taxes
ROACE	Return on average capital employed - calculated ratio between EBIT and average capital employed
G	Basic amount in the National Insurance Scheme
KPI	Key Performance Indicator - success criteria
NOK	Norwegian Krone

### 1.7. Roles and responsibilities

The General Meeting shall process and approve this Guideline in the event of any significant change and at least every four years.

Kongsberg's Board of Directors is responsible for the preparation of the Guideline.

Group EVP HR & Security is responsible for the maintenance of the Guideline, as well as responsible for compliance, updating and information in the Group on the Guideline.

## 2. Principles and foundations

Board members of Kongsberg Gruppen ASA and the group management are defined as the leading persons in KONGSBERG.

The principles and systems for remuneration to leading persons are determined by the Board. The Board of Directors conducts an annual evaluation of the CEO's salary and conditions, as well as the Group's performance pay scheme for managers. The Board's Compensation Committee prepares the cases for the Board. The CEO determines the remuneration of other members of the Group Management after consultation with the Chairman of the Board.

Executive salaries in Kongsberg Gruppen ASA and group companies ("KONGSBERG") are determined based on the following main principles:

- Executive pay should be competitive, but not salary-leading, and within this framework support general moderation in executive pay development – the company shall attract and retain skilled managers.
- Executive pay should be motivating – the salary should be complexed in a way that it motivates extra efforts to continually improve the business and the company's performance.
- The wage system shall be perceived as understandable and acceptable both internally in KONGSBERG and externally.
- The pay system should be flexible – so that adaptation can happen when needs change.
- The wage system shall promote cooperation.

The remuneration of the group management shall reflect their responsibility for the management, results and sustainable development of KONGSBERG, and take into account the size and complexity of the business. The schemes shall also be transparent and in line with principles for good corporate governance and company management.

Other companies in the Group shall follow the main principles of executive pay policy. It is a goal to coordinate the wage policy of the Group and the schemes used for variable benefits.

KONGSBERG intends to create shareholder value through profitable growth in a long-term and sustainable perspective. The company has therefore chosen performance pay schemes (STI) and long-term incentive share schemes (LTI) for the Group's managers who support this. Growth and profitability are over time a

necessary prerequisite for creating shareholder values, but KONGSBERG also attaches great importance to short-term profitability and positive cash flows in order to invest in future solutions and products, and to give shareholders annual returns through dividends. The performance and capital components are therefore given greater weight than the growth component of the schemes. In essence, the revenue component of the performance pay scheme will ensure that managers have incentives to create growth, while the performance component (EBIT growth) will provide incentives for improvement of results. In addition, the ROACE component, which is the relationship between EBIT and the capital bonding of the company, will provide incentives for the results to be created in a capital-efficient manner and provide positive cash flows.

The long-term incentive scheme (LTI) intends to achieve long-term interests and retain and strengthen the commitment of the leading persons. This is done by the fact that LTI shares are tied for 3 years before the leading person gains ownership of the shares.

### 3. Remunerations

The starting point for the wage determination is the total level of fixed pay and variable benefits. Fixed salary consists of basic salary as well as fixed benefits in kind and pension agreements. Variable benefits consist of performance-related earnings (STI) and long-term incentive share scheme (LTI). Regular measurements towards relevant markets are made to ensure that the total compensation is competitive but not leading.

#### 3.1. Basic salary

The basic salary shall normally be the main element of the managers' salaries. It is considered once a year.

#### 3.2. Performance pay scheme

KONGSBERG's senior management and most important decision-makers shall have their financial interests directly related to the development and improvement of KONGSBERG. The aim of the scheme is for managers who perform well over time to achieve an average performance salary of 20-30% of the base salary.

The performance salary scheme applies to and can make up a maximum of 50% of the fixed salary for members of the Group management.

The performance pay scheme is based on four components:

1. Improvement in EBIT that can account for a maximum of 20% of total performance pay compensation. The improvement component is calculated based on a change in this year's EBIT compared to EBIT the year before. An improvement in EBIT of 1% from the previous year gives 1% bonus up to 20%. EBIT is calculated in its own business area or own business area and the level above to be weighted.

Employed in	Improvement in EBIT measured on		Maximum of total STI	Weighting	
	KOG	FO		KOG	FO
<b>KOG ASA</b>	100%	0%	20%	20%	
<b>FO</b>	25%	75%	20%	5%	15%

When reducing EBIT, the improvement will be zero at the current level, but improvement can still be achieved at the other levels.

2. ROACE that can make up a maximum of 15%.  
For the Group to create added value for the owners, the group management is measured on development of ROACE. The minimum level and intervals are updated and fixed annually.  
For 2021, a ROACE of at least 15% must be achieved in order for it to pay out on this part of the bonus scheme.
3. Growth in operating revenues that can amount to a maximum of 5%.  
Growth in operating revenues is calculated on the Group's total operating revenues, where 2% growth gives 1% and 4% growth gives 2% bonus etc.
4. Individual goal achievement that can make up a maximum of 10%.  
The individual component is achieved by meeting individual objectives related to important KPIs for the individual manager, which can be both of a financial and non-financial nature. These targets may vary from year to year adapted to the strategic and operational objectives. These will normally be in the areas of strategy, market, innovation, operations and implementation, HR, HSE, Compliance and ESG.

The performance pay bank from the previous scheme will for those who have an included balance in the performance pay bank as of 31 December 2018 be paid over 4 years, with 1/4 per year. The last year of payment of the performance pay bank is 2023.

The sum of the current year's bonus payment and payment from the performance pay bank cannot exceed 50% of salary. If this payout exceeds 50% of the salary, the excess amount will be withdrawn.

In the event of a decline in EBIT on its own organizational unit, the performance pay bank will not be paid in the current year, and 1/4 of the performance pay bank is withdrawn.

If an employee who has a balance in the performance pay bank changes his position but remains in the Group, payment of the performance pay bank will be paid over 4 years, and it will be agreed specifically which organizational unit the individual will be measured on.

If an employee who has a balance in the performance pay bank voluntarily terminates his employment with KONGSBERG, the remaining amount of the performance pay bank will be withdrawn in its entirety.

In the event of disability and retirement, the remaining balance of the performance pay bank is paid in its entirety unless it exceeds 50% of the base salary. Any remaining balance will be paid out the following year.

In the event of death, the remaining balance of the performance pay bank is paid in its entirety.

The performance pay scheme does not provide a basis for pensions. The performance pay scheme is assessed annually by the Compensation Committee and the Board to ensure that it works as intended and ensure that necessary adjustments are made.

When carrying out special, large projects, demanding turnarounds and acquisitions that require a short-term decline in results as well as major strategic initiatives, individual agreements can be entered into with the CEO. In such cases, the ordinary scheme for performance pay will discharge and be replaced by a separate agreement limited up to 40% of the base salary.

The CEO shall give an account of these arrangements to the Compensation Committee.

The Compensation Committee and the Board of Directors assess annually whether the start and end values for calculating the performance salary scheme should be adjusted as a result of special factors such as write-downs or write-ups and acquisitions etc.

STI criteria are evaluated annually by the Compensation Committee and the Board of Directors.

The scheme does not provide a basis for pension.

### 3.3. Long Term Incentive scheme (LTI)

The rationale for the scheme is to be competitive with comparable companies in addition to create long-term incentives for managers of KONGSBERG.

LTI is an incentive scheme for leading persons where the participant receives, when certain criteria are met, shares for one % of the leading person's salary after tax deduction.

The LTI scheme makes up a maximum of 30% of the fixed salary for the CEO and 25% for other members of the Group management.

The criteria for achieving LTI is that if EBIT is greater than zero it qualifies for 1/2 of the maximum allocation, if ROACE is equal to or greater than 10% it provides an additional 1/2 of the maximum allocation. Participants in the scheme will be obliged to invest the net amount after tax in KONGSBERG shares, which are purchased in the market and owned with a binding period of three years. Participants who, on their own initiative, quit the company, for shares that do not meet the three-year requirement, will have to repay an amount equal to the share value after tax at the time of termination.

LTI criteria are evaluated annually by the Compensation Committee and the Board of Directors.

The scheme does not provide a basis for pensions.

### 3.4. Vehicle allowance

Leading persons can choose between leasing a company car based on a norm amount or driving allowance. The norm amount is determined at monthly cost of 30 000 kilometers annual mileage and 4 years leasing period. Kongsberg Digital leading persons can only choose driving allowance.

Leasing a car shall take place with the leasing-company Kongsberg Gruppen has an agreement with.

The norm amount of leasing is set at NOK 12,500 per month excluding VAT. In addition, insurance including annual fee, registration, fuel, service and maintenance, tolls, change of tires, tire hotel and roadside assistance service is covered.

The car allowance for leading persons is NOK 187 500 per year. This cover driving at work as well.

When transitioning to early retirement, the leading person is confessed to car allowance, one level down, until the age of 67.

### 3.5. Pension

Leading persons should normally have pension schemes that secure them a pension payment that is relative to their salary level. This is mainly met by membership in KONGSBERG's collective main pension scheme for salary up to 12G. The purpose of the pension scheme is to contribute to financial security for the employee when you become an old-age pensioner.

The Group's collective main pension scheme is a defined-contribution pension scheme. The Group introduced a defined-contribution pension as of 1 January 2008. Workers who was 52 years of age or older at the time of conversion were left in a closed defined benefit plan. The deposit rates are 5% of salary from 0G to 7.1G and 11% of salary from 7.1G to 12G. The funds can optionally be invested on one of three saving profiles with 50, 80 and 100% share dealings.

Seven of the members of the group management have been covered by a defined-contribution pension scheme for salaries above 12G. Saved funds, including returns, are paid to the leading person at retirement or at the end of employment. Two of the Group management members have a defined-contribution pension scheme of 18% for the part of their salary exceeding 12G. One of the members of the Group management has a similar scheme of 30%. The CEO's scheme is limited to the salary he had in his previous position. Three of the Group management members do not earn additional deposits in the scheme, but returns are still added to the previously earned balance.

### **3.6. Early retirement schemes**

KONGSBERG does not enter into early retirement agreements for leading persons, but leading persons who had such schemes before 1 October 2015 had this continued.

The company has previously entered into early retirement agreements for some of its managers. The agreements have always been entered into in line with the current notification of ownership from the State. There are currently different arrangements depending on when these were entered into. Some agreements involve the possibility of resignation from the age of 65, but with mutual right for KONGSBERG and a member of the Group management to claim early retirement from the age of 63. The benefit is 65% of the annual salary, assuming a minimum of 15 years of earnings. However, if the leading person retires between the age of 63 and 65, it will result in reduced pension earnings in the defined-contribution pension which applies from the age of 67. These agreements were discontinued for new leading persons in 2013 and now apply to two members of the Group Management Team, including the CEO. One of the members of the Group management has an older agreement on release from work from the age of 60. Assuming at least 10 years of earning time, the benefit is 90% of salary from 60 years, with a 10% reduction per year to 60% of salary from 63 to 67 years. Similarly, one member of the group management has an agreement to resign from the age of 62. Assuming at least 15 years of earning time, the benefit is 65% of the salary until the age of 67. These older schemes were discontinued in 2006 and 2008 respectively.

### **3.7. Notice period and severance pay scheme**

All members of the group management have 6 months reciprocal termination period.

In order to meet KONGSBERG's all time needs to ensure that the composition of managers is in accordance with the needs of the company, is it entered into and can be entered into agreements on severance schemes. Severance schemes are sought so that they will be perceived as acceptable internally and externally, and for agreements entered into from 2011 do not entitle them to severance pay which in value exceeds wages and allowances for more than six months, or until a new position is added. In some situations, it may be appropriate to deviate from this, but within the framework of 6 months.

Such agreements have been entered into for the members of the group management within the framework of the Working Environment Act.

### **3.8. Insurance**

The Group management has the same collective insurance scheme as all employees of Kongsberg Gruppen in Norway.



### **3.9. Expanded insurance for senior managers**

For KONGSBERG's top managers it is taken out an extended group and accident insurance.

### **3.10. Other variable elements**

Leading persons will normally be awarded benefits in kind common to comparable positions, such as communication and newspaper. There are no specific restrictions on which benefits can be agreed on.

Five members of the Group management have a compensation for the defined-contribution pension which was granted in the transition from defined benefit pension to defined-contribution pension in 2008.

### **3.11. Share program for employees**

Leading persons have the opportunity to participate fully in KONGSBERG's discounted share saving scheme on the same terms as for all employees in the Group.

The share program in 2021 provides the opportunity to buy KONGSBERG shares for up to NOK 75,000. The purchase price is included 25% discount which the company gives, and the maximum discount given is NOK 25,000. The company gives employees the opportunity to get 80% of the purchase price as an interest-free payday loan of one year, 20% of the purchase price is to be paid upon transfer of the shares which have a binding period of one year.

KONGSBERG has no scheme for allocation of share options or other instruments related to the company's shares. There are no plans to introduce such schemes.

### **3.12. Board- and Committee fee for leading persons on the Board of Kongsberg Gruppen**

Board members of Kongsberg Gruppen are given a fixed board fee and a fee for Board Committee meetings in which they participate. The board fees are determined by the General Meeting at suggestion of the Nominating Committee.

### **3.13. Board fees for leading persons in subsidiaries**

No Group management member receives board fees from subsidiaries.

### **3.14. Salary deductions**

In the contracts of employment, KONGSBERG reserves the right to make deductions and necessary adjustments to wages and/or holiday pay for all credit/incorrect payouts KONGSBERG may have on the employee.

#### **4. Compensation level assessment**

Salary and conditions of employment are based on an evaluation of the position's responsibilities, complexity and competence. Based on the evaluation of the positions, an annual assessment of wages and conditions of employment is carried out comparing with the market in Norway. Payroll and compensation information for the market in Norway is obtained from an external actor. Based on this assessment, any pay adjustments of members of the Group management are assessed by the CEO. The Compensation Committee has an annual review of the salary level for the Group management. Wage adjustments for members of the Group management require approval by the Chairman of the Board.

#### **5. Duration and termination**

The agreements for the members of the Group management have no time limit other than at the age of 65 there will be an assessment of new tasks. There is a reciprocal termination period of 6 months.

#### **6. Decision-making**

The terms and conditions discussed in this document are managed by the Group Chief HR Officer. Any changes and adjustments are reviewed with the CEO and then submitted for review and processing in the Compensation Committee. The Compensation Committee promotes for final proceedings in the Group Board of Directors.