



KONGSBERG

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## Kongsberg Gruppen ASA

### The Board's guideline for determining salary and remuneration to executive management Rev A

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Rev.	Date	Reason for issue	Author, dept	Approving dept, name, sign		Security level/ IPR
-	01MAY2021	First issue	Hans Petter Blokkum, Corporate HR	Eivind Reiten, Chairman		<i>Public</i>
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## 1. Introduction

### 1.1 Document history

Revision	Date	Change description
-	01MAY2021	First issue
A	19MAR2025	Defined under section 2.4

### 1.2 Referenced documents

**Table 1** Referenced documents

Reference and Title	Doc ID	(Rev./Date)	(Publisher)
[1] <a href="#">Public Limited Liability Companies Act (Allmennaksjeloven)</a>	LOV-1997-06-13-45		Ministry of Trade, Industry and Fisheries
[2] <a href="#">Accounting Act (Regnskapsloven)</a>	LOV-1998-07-17-56		Ministry of Finance
[3] <a href="#">The state's guidelines for executive pay in companies with a direct state ownership</a>			Ministry of Trade, Industry and Fisheries

### 1.3 Objective

The purpose of this document is to establish guidelines for determining salary and other remuneration to executive management in KONGSBERG. The guideline aims to promote transparency about the terms and conditions, ensure strong alignment within the company, as well as ensure that executive remuneration is designed in a way that supports the company's business strategy, long-term interests and financial sustainability.

### 1.4 Scope

The scope of this guideline follows from section 7-31b of the Accounting Act, section 6-16a of the Public Limited Liability Companies Act and supplementary regulations and applies to the company's board members and CMT members. Only salary and remuneration paid by virtue of being a member of the board and CMT members are included.

All companies in the Group are expected to comply with the overarching principles for determining salary and other remuneration as described in this guideline. It is a goal to coordinate salary and remuneration across the Group.



## 1.5 Deviation

The Board may, under special circumstances, temporarily deviate from this guideline if necessary to safeguard the company's long-term interests and financial sustainability, or to ensure the company's viability. The Board has defined remuneration to the CEO, variable compensation and pension as areas where it may be appropriate to deviate from the provisions of this guideline. A deviation requires consideration by the Board's Compensation Committee and a decision by the Board. Any deviations will be reasoned and reported in the following year's Executive Management Remuneration Report.

For CMT members who operate in compensation markets outside Norway, the company may make certain local adjustments that deviate from this guideline.

## 1.6 Basic principles

Business Area - Kongsberg Maritime, Kongsberg Defence & Aerospace, Kongsberg Discovery og Kongsberg Digital

Board - The Board of KONGSBERG

CEO - Chief Executive Officer

CMT - Corporate Management Team

Corporate HR - Human Resources in KOG ASA

EBIT - Earnings before interest and taxes

Group - The Group in its entirety, including all business areas and KOG ASA

KOG ASA – Parent company

KONGSBERG - The Group in its entirety, including all business areas and KOG ASA

KPI - Key Performance Indicator

LTI - Long Term Incentive scheme (share scheme)

ROACE - Return On Average Capital Employed

STI - Short Term Incentive scheme (bonus scheme)

## 1.7 Roles and responsibilities

This document is owned by the Board of KONGSBERG and maintained by Corporate HR.

Any changes and adjustments to this document are submitted for review and consideration by the Board's Compensation Committee, which then submits final proceedings to KONGSBERG's Board.

The Annual General Meeting shall consider and vote on this guideline in the event of any significant changes, and at least every four years.

## 2. Content

With subject to approval by the Annual General Meeting on 7 May 2025, this guideline will replace the previous guideline that was approved at the Annual General Meeting on 6 May 2021. The guideline will enter into force on 1 January 2025 and will be available on the company's website.



## **2.1 Core principles for determining salary and remuneration**

To ensure that KONGSBERG can attract and retain talented people in governing bodies and CMT, it is important that the company can offer competitive salary and remuneration packages that are consistent with the practice used in comparable markets in Norway. At the same time, we emphasise moderation and shall not be a market leader. To ensure this, KONGSBERG annually benchmarks the various compensation elements separately and collectively. The remuneration must also be composed in such a way that it motivates extra efforts to continuously improve the business and the company's results. In addition, the remuneration shall be perceived as understandable and acceptable both internally in KONGSBERG and externally. The schemes must therefore be transparent and in line with the principles of good corporate governance. The remuneration shall also be flexible to allow for adjustments as needs evolve. Furthermore, the compensation package should encourage collaboration across the Group.

### **2.1.1 The Board's Compensation Committee**

The Board's Compensation Committee is a subcommittee of the Board of KONGSBERG and its purpose is to serve as a preparatory body for the Board's consideration of issues related to remuneration, leadership development and diversity. The Compensation Committee is solely accountable to the assembled Board of KONGSBERG and has only advisory authority in this regard. The Compensation Committee's primary tasks include preparing the Board's consideration of matters related to the CEO's salary and terms of employment, as well as any adjustments to these. Additionally, the Compensation Committee prepares the handling of principal issues related to salary levels, bonus schemes, share schemes, pension terms and employment contracts for the CMT. Furthermore, it includes preparing other matters related to remuneration that affect the Group's competitiveness, profile, recruitment capacity and reputation beyond the CMT. The members of the Compensation Committee are independent in relation to the CMT.

### **2.1.2 The Board**

Based on the recommendation of the Compensation Committee, the Board shall annually determine the adjustment of the CEO's basic salary and evaluate whether KONGSBERG's STI and LTI schemes shall be implemented, as well as the KPIs in these schemes. If necessary, the Board shall consider other remuneration issues that have been submitted by the Compensation Committee. The CMT members shall not participate in the Board's determination of their own remuneration to avoid potential conflicts of interest.

### **2.1.3 Determining the remuneration amount**

KONGSBERG follows a three-step process when determining the remuneration amount to the CMT members.

1. Job evaluation: First, the weight of the position must be evaluated. This means the responsibility, necessary knowledge and degree of problem-solving which is required for the position. This should be carried out by an external consultant to ensure objectivity. When the result is available, it is calibrated internally.
2. Analysis: Based on the weight of the position, a compensation analysis is executed. This analysis focuses on market data, the employee's experience at this level, employee's performance, the remuneration level of other employees at the same level within the company, equal pay requirements, the employee's competence, and the availability of such competence in the market. Based on this, a proposal is prepared.
3. Approval: The CEO shall consult the Chairman of the Board regarding the proposal to the CMT members. The CEO's remuneration shall be presented to the Compensation Committee and approved by the Board.



## **2.2 Overview of remuneration elements**

The remuneration of CMT members shall consist of fixed and variable compensation elements. Fixed compensation elements include basic salary, pension, insurance and other benefits. Variable compensation elements consist of a bonus scheme (STI) and a share scheme (LTI).

A description of the various remuneration elements available to the CMT is described below.

### **2.2.1 Basic salary**

Basic salary is the main element of CMT members' remuneration package. The basic salary is evaluated annually as part of the company's salary adjustment process and is normally determined based on the results of the negotiations with the Norwegian trade unions. As part of the moderation assessment, the krona-based salary growth for other employees will also be taken into account.

### **2.2.2 Pension**

The CMT members participate in the collective defined contribution pension scheme that is available to all employees of KONGSBERG in Norway. No pension is earned on the part of the salary that exceeds 12G. The basis for pension accrual is the employee's basic salary.

Some CMT members are covered by closed pension schemes. These are described under 2.2.15.

### **2.2.3 Insurances**

The CMT members participate in the same collective insurance scheme as all employees of KONGSBERG in Norway. The company has also taken out an extended group and accident insurance for the CMT members.

### **2.2.4 Other benefits**

CMT members receive additional benefits including a car scheme, either a leased company car or car allowance, along with other standard provisions such as telephone, internet, newspapers, etc., in accordance with established standards.

### **2.2.5 Bonus scheme (STI)**

The purpose of the STI scheme is to motivate participants to achieve short-term goals that support the company's long-term strategic objectives and sustainable development. The scheme is designed to be simple and easy to understand in order to stimulate the right behaviour. The STI scheme was introduced in 2006.

The Board decides annually whether the STI scheme is to be implemented, as well as the KPIs in the scheme.

The scheme is cash-based, with an accrual period of 12 months following the calendar year. The maximum achievable bonus potential in a single year can amount to 50 per cent of the employee's basic salary as of 31 December in the performance year, while the expected bonus payment over time is 30 per cent. The STI scheme has no minimum or guaranteed payment. For new CMT members, the main rule will be that the maximum achievable bonus potential in the STI scheme may amount to 25 per cent of the employee's basic salary.

KONGSBERG's STI scheme involves a deviation from the major shareholder's guidelines for executive pay. The Board has considered this to be critical for the company in a period of extraordinary growth where it is



particularly important to ensure continuity in management and critical competence. Nor does the Board want an increase in the fixed costs that would be a consequence of a possible lower bonus potential.

Individual STI agreements may be entered into in the event of taking on special large projects, major strategic initiatives, demanding turnarounds or acquisitions that may entail a decline in results in the short term. In such cases, the ordinary STI scheme will be temporarily suspended and replaced by a separate agreement. In accordance with the company's procedures, the CEO shall report on any such arrangements to the Compensation Committee.

The STI scheme does not form a basis for pension accrual.

Growth and profitability are over time necessary prerequisites for creating shareholder value, but KONGSBERG also places great emphasis on short-term profitability and positive cash flows to be able to invest in future solutions and products, and to provide shareholders with an annual return through dividends. Therefore, the profit and capital components are given greater weight than the growth component in the STI scheme.

The STI scheme is calculated based on the following four independent KPIs:

- 1) Improvement in EBIT (40 per cent)
- 2) ROACE (30 per cent)
- 3) Growth in operating revenues (10 per cent)
- 4) Individual goals (20 per cent)

#### **2.2.5.1 Improvement in EBIT**

This KPI is intended to provide the participants with incentives to improve the company's performance. Improvement in EBIT is measured as the change in EBIT for this year compared to the previous year. Improvement in EBIT is measured at both Group level and business area level. The weighting is different for the various participants in the scheme, depending on their organisational belonging. Employees at Group level are weighted 40 per cent on the Group's improvement in EBIT, while employees in the business areas are weighted 10 per cent on the Group's improvement in EBIT and 30 per cent on their own business area's improvement in EBIT. Achievement is assessed independently of each other.

1 per cent growth gives 2 per cent achievement, with a maximum achievement of the total bonus of 40 per cent. This means that in order to achieve full achievement on this KPI, EBIT must improve by 20 per cent.

#### **2.2.5.2 ROACE**

This KPI is intended to provide the participants with incentives to generate profit in a capital-effective way that provides positive cash flows. ROACE is measured as the cost of capital before tax. ROACE is measured at the Group level only.

Each year, the Board defines an interval with a threshold value and a maximum value that is based on the ROACE target for the performance year.

1 per cent achievement within the set interval gives 3 per cent achievement on this KPI, with a maximum achievement of the total bonus of 30 per cent.

#### **2.2.5.3 Growth in operating revenues**

This KPI is intended to provide the participants with incentives to create growth in KONGSBERG. Growth in operating revenues is measured as a change in this year's operating revenues compared to the previous year. Growth in operating revenues is measured at the Group level only.



1 per cent growth gives 0.5 per cent achievement on this KPI, with a maximum achievement of the total bonus of 10 per cent. This means that in order to achieve full achievement on this KPI, the growth in operating revenues must improve by 20 percent.

#### **2.2.5.4 Individual goals**

This KPI is intended to provide the participants with incentives to achieve individual goals related to relevant and important KPIs for each participant in the scheme. The targets may be of a financial and non-financial nature and may vary from year to year depending on KONGSBERG's priorities. The individual goals are divided into three main categories: 1) Strategy, market & innovation, 2) Operation & execution, and 3) People & licence to operate. The goals will normally be within the areas of strategy, market, innovation, operations and execution, HR, HSE, Compliance and ESG. The participants are also measured on how they reach their goals, i.e. that they demonstrate leadership in line with KONGSBERG's values, leadership principles and Code of Ethics and Business Conduct.

The process of determining the annual targets starts after the annual strategy process to ensure conformity with KONGSBERG's most important strategic and operational goals. The CEO's goals for the performance year are first presented to the Compensation Committee and then to the Board for decision. The performance criteria are a mix of financial and discretionary. It is the participant's manager who determines the achievement of the individual goals, the CEO for the CMT members, and the Board for the CEO.

The maximum achievement on this KPI is 20 per cent of the total bonus.

#### **2.2.6 Share scheme (LTI)**

The purpose of KONGSBERG's LTI scheme is to motivate participants to contribute to the achievement of the company's long-term goals, while also strengthening their loyalty and commitment to KONGSBERG. The scheme has been designed so that it is simple and easy to understand in order to stimulate the right behaviour. The LTI scheme was introduced in 2012.

The Board decides annually whether the LTI scheme is to be implemented, as well as the KPIs in the scheme.

KONGSBERG's LTI scheme is share-based and has an accrual period of 12 months following the calendar year. The participants receive, when the threshold and the KPIs are met, shares for a percentage of their basic salary as of 31 December of the performance year, after tax deductions. The shares are purchased in the market and owned with a three-year lock-in period. The LTI scheme amounts to a maximum of 30 per cent of the basic salary of the CEO and 25 per cent for other CMT members. KONGSBERG's LTI scheme has no minimum or guaranteed payment.

If a CMT member resigns from or is dismissed by the company, they shall, upon termination, repay to the company an amount corresponding to the value of the shares that do not satisfy the three-year lock-in period, adjusted for tax (profit or loss) on the difference between the original value of the shares and the value of the shares at the time of termination.

The LTI scheme does not form a basis for pension accrual.

The LTI scheme's threshold is positive EBIT. Once the threshold is reached, the LTI can be calculated based on the following two independent KPIs:

- 1) EBIT (50 per cent)
- 2) ROACE (50 per cent)



**2.2.6.1 EBIT**

A full achievement is given on this KPI if EBIT is higher than 0. If EBIT is 0 or lower, no achievement is given.

**2.2.6.2 ROACE**

A full achievement is given on this KPI if the ROACE is equal to or higher than 20 per cent. If the ROACE is lower than 20 per cent, no achievement is given.

**2.2.7 Termination of employment**

All CMT members have a six-month mutual notice period. During the notice period, the agreed remuneration terms and conditions continue to apply, except for STI, LTI and the employee share scheme.

The agreements have no time limit other than that at the age of 65 there will be an assessment of potential new tasks.

**2.2.8 Severance pay**

To ensure that the CMT is composed in a way that meets KONGSBERG's needs, severance pay agreements may be entered into. Agreed severance pay and salary should not exceed 12 months' salary in total during the notice period. If the CMT member takes the initiative to terminate the employment relationship, severance pay will not be paid.

**2.2.9 Deductions in salary**

KONGSBERG reserves the right to make deductions and necessary adjustments to salary and/or holiday pay for any outstanding amounts/incorrect payments KONGSBERG may have on the employee.

**2.2.10 Clawback**

The company has the right to demand repayment of variable compensation if it is discovered that the employee has committed serious violations of the company's Code of Ethics and Business Conduct. Examples of serious violations include actions such as misreporting results, significant failures in risk management, severe damage to the company's reputation or serious individual negligence. Repayment or adjustment of the variable payment may apply before and after the payment has been made. Employees may be required to repay their payment up to three years after the payment took place.

**2.2.11 Stock options and other instruments**

KONGSBERG has no arrangement for allocation of stock options or other instruments related to the company's shares. There are no plans to introduce such arrangements.

**2.2.12 Remuneration for board roles**

The CMT members shall not receive remuneration for board roles in KONGSBERG's subsidiaries or affiliates (e.g. joint ventures). However, CMT members who are still members of the same board as when this arrangement was terminated in 2021, will continue to receive such remuneration.



### **2.2.13 Employee share scheme**

The Board annually assesses whether KONGSBERG's employee share scheme (established in 1996) should be implemented. The scheme is open to the CMT members, but not to the CEO. The purpose of the share scheme is to encourage share ownership among employees in order to align the interests of employees and the shareholders. The scheme offers the opportunity to purchase KONGSBERG shares for up to NOK 100,000, with a 25 per cent discount. 20 per cent of the purchase price is paid upon transfer of the shares, while the remaining 80 per cent is paid monthly as an interest-free salary loan over 12 months. There is a one-year lock-in period for shares purchased through the employee share scheme.

### **2.2.14 Employee bonus scheme**

As of 1 January 2024, KONGSBERG introduced a global employee bonus scheme. The CMT members are not entitled to participate in this scheme.

### **2.2.15 Closed schemes**

#### **2.2.15.1 Early retirement agreements**

KONGSBERG has not entered into any early retirement agreements after 1 October 2015. However, the company still has various early retirement agreements in place, the terms of which vary depending on the time the agreements were made. These early retirement agreements have always been established in accordance with the major shareholders guidelines for executive pay.

The main model involves an option for retirement from the age of 65, but with a mutual right for KONGSBERG and the employee to request early retirement from the age of 63. Upon retirement at the age 65, the early retirement benefit is 65 per cent of the salary base, provided there is a minimum of 15 years of service. Accrual in other pension schemes intended to start at age 67, is maintained. However, if the employee retires between the ages of 63 and 65, accrual in other pension schemes will be reduced by adjusting the salary base to the same level as the early retirement benefit. The salary base in the agreement is adjusted annually by the same percentage increase as the most recent increase in the National Insurance Basic Amount (Grunnbeløp) minus 0.75 per cent.

#### **2.2.15.2 Compensation for loss of defined benefit pension**

On 1 January 2008, KONGSBERG transitioned from a defined benefit pension scheme to a defined contribution pension scheme. Employees over the age of 52 were allowed to remain in a closed defined benefit pension scheme, while employees under the age of 52 were provided with a compensation. The compensation corresponds to the estimated loss in pension capital by the age of 67 in a defined benefit pension scheme compared to a defined contribution pension scheme. The compensation amount is adjusted annually by 2.5 per cent.

#### **2.2.15.3 Closed pension scheme for salary above 12G**

KONGSBERG closed its pension scheme for salaries above 12G on 1 October 2015. Employees with salaries above 12G at that time were allowed to continue in the scheme. The scheme is a closed unfunded defined benefit pension scheme or defined contribution pension scheme. An unfunded pension scheme means that the money required for pension payments is not held by a pension provider, but that the company is committed to covering the pension payments from its own funds. Accumulated funds, including returns, will be paid to the employee at retirement age or upon termination of employment. KONGSBERG keeps track of contributions and returns together with our pension advisor. The return benchmark is DNB's



"Pension Profile 50" fund. In the case of an internal transfer to a new position, the accrual in the scheme will cease, but returns will still be added to the previously accumulated balance.

## **2.3 Board remuneration**

Board members at KONGSBERG are granted a fixed board fee as well as a fee for participation in committee meetings. The board fees are determined at the Annual General Meeting based on a proposal from the Nomination Committee to ensure that there are no conflicts of interest.

## **2.4 Changes to the guideline**

The following changes have been made since the previous version of the Board's guideline for determining salary and remuneration to executive management:

1. For employees joining CMT after 1 January 2025, the main rule will be that the maximum achievable bonus potential in the STI scheme may amount to 25 per cent of their basic salary.
2. The KPIs in the STI scheme have been updated in accordance with the current requirements for achievement. Growth in operating revenues has changed from 1 per cent growth = 1 per cent achievement to 1 per cent growth = 0.5 per cent achievement.
3. The KPIs in the LTI scheme have been updated in accordance with the current requirements for goal achievement. ROACE has changed from greater or equal to 10 per cent to greater or equal to 20 per cent.
4. Text regarding the company's ability to claw back variable compensation from CMT members who have received or are entitled to such remuneration has been included.
5. Text regarding the possibility to deviate from the established guideline has been adjusted.
6. The revised guideline includes various changes in wording and structure. These changes do not alter the content of the guideline and are therefore not specifically mentioned.

## **3. Effective date**

The document takes effect from the date the document is approved and signed.