

## **GUIDELINES FOR REMUNERATION TO EXECUTIVE MANAGEMENT**

In accordance with section 6-16a of the Norwegian Public Limited Liability Companies Act, the Board of Directors of Philly Shipyard ASA has prepared a statement on the determination of salary and other remuneration to the executive management of the Company. The General Meeting's approval of the guidelines is of an advisory nature to the Board of Directors. The Company does not grant remuneration to the executive management 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, that require preparation of binding guidelines in such respect.

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The President and CEO and members of the Executive Team receive a base salary. In addition, a variable pay as further described below may be awarded.

The President and CEO and Executive Team participate in the standard pension and insurance schemes, applicable to all employees.

The Company practices standard employment contracts and standard terms and conditions regarding notice period and severance pay for the President and CEO and members of the Executive Team. The Company does not offer share option programs to the Executive Team.

### **2018 and 2019 Variable Pay Program**

In 2018 and 2019, the variable pay was made in accordance with a variable pay program which was implemented in 2007 and developed in order to create a performance-based system. This system of reward was designed to contribute to the achievement of good financial results and increase shareholder value. This system of reward was adjusted in 2018 and 2019 to also retain key employees and ensure the delivery of the last two ships in the company's order backlog.

The 2018 and 2019 variable pay program was based on the achievement of financial and personal performance targets and leadership performance in accordance with the Company's values.

The 2018 and 2019 variable pay program for the President and CEO represented a potential for an additional variable pay up to 70% of base salary depending on the achievement of defined short-term and long-term results such as financial targets (profit and working capital) and personal targets (project targets, development of commercial solutions, alignment with values and improvement of HSE).

The 2018 and 2019 variable pay program for other members of the Executive Team represented a potential for an additional variable pay in the range of 20% to 60% of base salary depending on the achievement of the same factors described for the President and CEO.

The 2018 and 2019 variable pay program for some members of the Executive Team included two payments, i.e., a base award (calculated as provided above) and a deferred payment. The deferred payments were designed to incentivize and retain key personnel, were equal to 50% of the base awards and were payable 12 months after the base awards.

In addition, the 2018 variable pay program for some members of the Executive Team included additional payments for the achievement of specific project targets. The additional payments were designed to

retain key personnel and ensure delivery of the last two vessels in the order book (Hulls 029 and 030). In 2018, there were two such additional payments, each equal to 25% of the maximum base award. The first was paid upon launch of Hull 029 in Q1 2018 and the second was paid upon delivery of Hull 029 in Q4 2018. There was a third additional payment in 2019 equal to 50% of the maximum base award paid upon the delivery of Hull 030.

### **HSE Incentive / Retention Program for 2020**

In 2020, the variable pay will be made in accordance with a new HSE incentive /retention program. This system of reward is designed to improve Health, Safety and Environmental (HSE) performance while retaining key employees during this crucial business cycle.

The 2020 HSE incentive / retention program is based on the achievement of HSE performance targets and continued employment with Philly Shipyard.

The 2020 HSE incentive / retention program for the President and CEO represents a potential for an additional variable pay up to 27% of base salary.

The 2020 HSE incentive / retention program for other members of the Executive Team represents a potential for an additional variable pay in the range of 11% to 27% of base salary.

The new 2020 HSE incentive /retention program has minimal effects on the company and the shareholders on the basis that remuneration is not granted in the form of shares (i.e., no risk of dilution effect) and has reduced cash payments compared to the previous program.