

## GUIDELINES

# GUIDELINES FOR COMPENSATION AND BENEFITS FOR THE SENIOR EXECUTIVES IN KONGSBERG AUTOMOTIVE

PRESENTED FOR APPROVAL BY THE ANNUAL GENERAL MEETING OF KONGSBERG AUTOMOTIVE ASA ON 6 JUNE 2023 IN ACCORDANCE WITH THE NORWEGIAN PUBLIC LIMITED LIABILITY COMPANIES ACT § 6-16A AND THE APPURTENANT REGULATION FOR GUIDELINES AND REPORTING OF REMUNERATION TO PERSONNEL IN EXECUTIVE POSITIONS (FOR 2020-12-11 2730).

## 1. Main objectives

Kongsberg Automotive ASA with subsidiaries (“the Company” or “KA”) shall be able to attract and retain executives with the competence and motivation to realize the short- and long-term objectives of the Company. It is further an objective to create incentives that align the interests of the Company’s executives with the interests of the shareholders and other stakeholders in the Company. KA shall therefore have compensation and benefit programs that consists of a combination of short-term incentives based on the financial performance of the company and long-term incentives that reward the development of the value of the KA share in addition to the base salary.

Remuneration and other terms for executives within KA shall be fair compared to the remuneration and conditions of KA’s employees, taking into consideration the executives’ responsibilities, seniority and level of experience.

## 2. Senior Executive Population

As a global company, KA requires a position evaluation concept serving as a framework for comparability of executive positions, both internally and externally. This approach concentrates on position grading with clear rules for a fair and transparent position evaluation process and the possibility to cluster bands. KA has defined the Top 200 executive positions in three Management Bands:



*Global Leadership Team ("GLT")*: Includes the CEO and some CEO's direct reports in the Company, primarily involved in the development, evolution and approval of the long-term vision and strategy across a market function, business unit or region.

*Senior Leadership Team ("SLT")*: Senior positions in the company globally, in charge of providing leadership and direction through Vice Presidents and Directors/Senior Managers having accountability for the performance and results in their areas of responsibility and impacting strategic programs/concepts with strong/crucial effect on organization by Senior Management positions and highly specialized Individual Contributors.

*Leadership/Management Team ("LT/MT")*: Strategic and key individual contributors responsible for implementing organization strategies through the effective direction and management of resources.

These Guidelines apply to compensation and benefits for personnel of GLT, SLT and LT/MT, and will be binding for remuneration to personnel in such teams that are considered a "leading person" in the Company pursuant to section 7-31b of the Norwegian Accounting Act.

### **3. Description of compensation elements**

#### **a. Annual Base Salary**

The annual fixed compensation (i.e. base salary) shall reflect the individual's area of responsibility and performance over time. KA offers base salary levels which are competitive, but not market leading in the markets where the Company operates. Salaries are regularly benchmarked versus salary statistics and other relevant market data.

#### **b. Short Term Incentive Plan**

The Short-Term Incentive Plan ("STI") is targeted to the executive population with a timeframe of one year. The STI is a worldwide incentive program designed to motivate and incentivize eligible employees for the contributions they make towards meeting KA's financial and business objectives within the term of one calendar year. The plan is based on objective, transparent and measurable pillars:

- > Earnings (Group and Business Unit focused)
- > New business wins (Group and Business Unit focused)
- > Corporate Cash Flow (Group and Business Unit focused)
- > A strategic KPI which can be adjusted each year based on current needs



Eligible participants in the STI are members of GLT, SLT and MT/LT. The performance goals for the STI are recommended by the Compensation Committee (“CC”) and approved by the Board.

For any bonuses to start paying out, each business unit needs to reach independent threshold levels related to each KPI. If triggered, the STI plan has different payout levels which are linked to specific targets by business unit. At Threshold level only 50% of the bonus will be paid out; at Target level there will be a payout of 100%, and finally at Maximum level the payout will be 200% (capped) of the award. The maximum sum of the cash bonus is capped at 100% of gross base salary per individual.

#### c. Long Term Incentive Plan

The LTI consists of two instruments; half of the LTI award shall be allocated as performance-contingent Share Units (“PSU”), the other half shall be based on time-vested Restricted Share Units (“RSU”).

The vesting of the PSUs is based on 3 KPIs: KA’s Total Shareholder Return (“TSR”) performance against a defined relative peer group of dedicated automotive companies, a three-year EBIT Margin average, and a ESG Target. The vesting period is defined as three years from grant.

The vesting of the RSU is only a time-bound vesting, defined by vesting period of three years. Only employees who are still working actively and not in notice period, shall be entitled to RSUs.

Eligible are defined as; members of GLT and SLT. The individual LTI target value is based on the role and responsibility and is increased with higher responsibility.

The LTI plans are approved annually by the Board and finally approved by the Annual General Meeting. The specific terms of the LTI is described in the Annual Report.

#### d. Total Target Compensation

By adding the above-mentioned 3 elements (a., b., and c.), the Total Target Compensation for an employee is obtained. The proportionate average share (i.e. pay mix) of each component as part of the Total Target Compensation of the senior management population is approximately 75% for base salary, 15% for the STI plan, and 10% for the LTI plan. The proportion average for the GLT members is approximately 60% for base salary, 22% for the STI plan, and 18% for the LTI plan.



- e. The STI and LTI shall contribute to further financial performance and long-term strategies and goals for the company.

The structure of Total Target Compensation shall be highly performance and success oriented to ensure that shareholder and management interests are aligned. Performance based short-term and long-term incentives in relation to Annual Base Salary and Total Target Compensation increase with higher responsibility. The STI provides incentives to the top executives to prioritize defined objectives for each year. The STI is thus a dynamic instrument which allows adjustment each year to the specific needs of the Company. The LTI shall provide incentives to the senior management to increase shareholder value in the long term.

- f. Pension Plans

Pension plans shall be in accordance with recognized standards and practice for comparable manufacturing enterprises in the countries where the executives are based and further, compliant with applicable law.

- g. Benefits in kind

Remuneration may include customary benefits in kind such as car allowance or company car, coverage of telephone and internet costs as well as newspaper subscriptions. Other benefits in kind as deemed appropriate by the Company may also be granted from time to time, subject to such benefits not being of unusual nature in light of practice in comparable companies and markets and the benefits otherwise being in accordance with the principles set out in these guidelines.

- h. Extraordinary compensation

Executives in the Company may be granted additional compensation in extraordinary circumstances on an ad hoc basis. Extraordinary circumstances may include, inter alia, "sign-on" bonuses for new executives, compensation for loss of remuneration with a former employer, or increased responsibilities for a specific period in time.

#### **4. Term of employment agreements**

- a. Term and termination

Employment agreements are permanent. Relevant notice periods for employment contracts for executives shall be from 3 to 6 months depending on the level of the position and conditional upon applicable law. The position of CEO has a 9-month notice period. The Board can approve extended notice periods of up to 24 months in situations where the Board deems this suitable to attract or retain executive personnel.



- b. Agreements on severance payments.  
KA does not have a global policy related to severance payments. KA follows legal requirements or union requirements (if applicable), to remain compliant. Any agreement made is then dependent on local regulations and defined on a case-by-case consideration for selected employees.
- c. Arrangements for early retirement  
KA does not have a global policy related to early retirement; the Company follows legal requirements or union requirements (if applicable), to remain compliant. Any agreement made is then dependent on local regulations and defined on a case-by-case consideration.
- d. Conditions for termination of employment  
KA does not have a global policy related to termination of employment; the Company follows legal requirements or union requirements (if applicable), to remain compliant.

## **5. The process**

- a. Revision of Guidelines  

The Guidelines are approved by the General Meeting of the Company according to recommendation by the Board and the Compensation Committee. The Guidelines are as a point of basis valid for a period of 4 years. The Compensation Committee may however propose revisions of the Guidelines to the Board of Director for final approval by the following Annual General Meeting.
- b. Deviations from the Guidelines  

The Board of Directors may decide exceptions from the Guidelines in the event that the Company should undergo significant changes, such as mergers or de-mergers, consolidation or split of shares, acquisition, or divestitures or in the event that the company is significantly affected by events that were not reasonably foreseeable when the Guidelines were approved and implemented. The Board of Directors may further establish extraordinary incentives in connection with reorganizations, larger acquisitions, divestments, and similar transactions in order to facilitate the strategic objectives of the Company. Such remedies shall be limited in time.

Any deviations from the Guidelines shall be described in the Board's remuneration report the following year.
- c. The Process for determination of compensation and benefits



Primarily, the “grandfather principle” shall apply for determination of compensation and benefits. In this connection the grandfather principle means that the direct manager’s superior manager shall approve decisions relating the direct manager’s direct subordinates according to the operational organization structure.

For GLT members remuneration, remuneration is proposed by the Executive Vice President of Human Resources, and approved by the Compensation Committee. Compensation and Benefits for the CEO is finally determined in a Board meeting.

Compensation and Benefits for the for other the top executives, MT/LT is determined by the respective GLT member.

d. Deviations

For minor or ordinary changes in compensation elements, such as annual salary reviews or regular award of STI and LTI, the Executive Vice President of Human Resources will present a budget proposal to the Compensation Committee for approval.

Major or extraordinary changes in compensation elements (i.e. increase or reallocation of total bonus costs by more than 5%), require Board approval.

e. STI adjustments

In the event of major acquisitions, mergers, or a significant divestiture or similar changes to the KA group are made, then the STI bonus targets may be adjusted accordingly by the CEO subject to approval by the Compensation Committee and ultimately by the Board.

f. LTI adjustments

In the event of a corporate transaction involving the Parent Company (including without limitation; a Share split, issuance of rights, extraordinary dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of Shares) the Board may modify the terms of outstanding awards in such manner as the Board may determine as reasonable under the circumstances to permit Participants to realize some or all of the benefits intended to be granted to them under the LTI. Such modifications may include, without limitation, (i) accelerating or extending the Restriction Period as well as the Expiry Date of, and (ii) modifying the Exercise Price, number, amount, or kind of



securities which may be purchased in accordance with Outstanding Stock Options.

g. Conflict of interests

Compensation Committee members and Board of Director members shall abstain from consideration and decision of the matter of a potential or perceived Conflict of Interest.

## 6. Repayment

KA has not implemented any formal regulations relating to repayment of compensation and benefits. Claims for repayment are subject to applicable law.

## 7. Remuneration of the Board of Directors

a. Process

The remuneration of the members of the Company's board of directors (the "**Board**") is determined by the Company's general meeting. The remuneration will normally be approved on an annual basis by the annual general meeting.

The remuneration of the members of the Board is proposed by the Company's nomination committee. The members of the nomination committee are elected by the general meeting of the Company. The work of the nomination committee is governed by the articles of association and by guidelines that have been approved by the general meeting. The proposal of the nomination committee will be included in the notice of the annual general meeting or such other general meeting where the remuneration of the Board will be considered.

Remuneration of employee representatives at the Board in their capacity of employees is not covered by these guidelines.

b. Type of remuneration

The remuneration of the Board will consist of a fixed annual amount or a fixed amount per meeting. Members of board committees may receive additional compensation. The remuneration will be payable in cash.

The Company may reimburse travel expenses and other relevant expenses incurred by members of the Board in connection with the performance of their duties.



Members of the Board do not receive any variable or performance-based remuneration. Members of the Board do not receive stock options or other remuneration linked to the Company's shares. Members of the Board may however receive shares at market value with minimum holding period requirements or corresponding time-vested restricted shares. There shall be no performance criteria attached allocations to Members of the Board.

Members of the Board are not members of the Company's pension schemes and do not have any rights to pension from the Company.

c. Agreements

The Company does not normally enter into agreements with the members of the Board in relation to their engagement as board members. The general meeting can remove any member of the Board at its discretion at any time with immediate effect by a simple majority vote. No member of the Board is entitled to any compensation upon termination of their engagement as members of the Board.