

# Remuneration policy for executive committee of Vår Energi ASA

Approved at the annual general meeting

# 2024



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# 1. Introduction

This policy for remuneration to the Executive Committee in Vår Energi ASA (the Policy) is prepared in accordance with the Norwegian Public Limited Liability Companies Act section 5-6(3) and section 6-16a and the Norwegian Regulation on Guidelines and Report on Remuneration of Executive Personnel.

The Policy shall apply to members of the Executive Committee in Vår Energi (the Company) including the Chief Executive Officer (the CEO) and replaces "Remuneration Policy for Executive Management" approved at the Annual General Meeting (AGM) on 4 May 2023.

## Changes to the Policy

The Board of Directors (hereinafter named the Board) has considered it necessary to make certain changes to the Policy of 4 May 2023. The maximum remuneration levels of the Long-term incentive plan and the Annual Variable Pay for members of the Executive Committee are changed. In addition, the guidelines relating to weighting of different goals in the goal plan are adjusted. These changes are described and explained under section 3.2 in accordance with the Norwegian Regulation on Guidelines and Report on Remuneration of Executive Personnel.



## 2. Purpose and remuneration principles

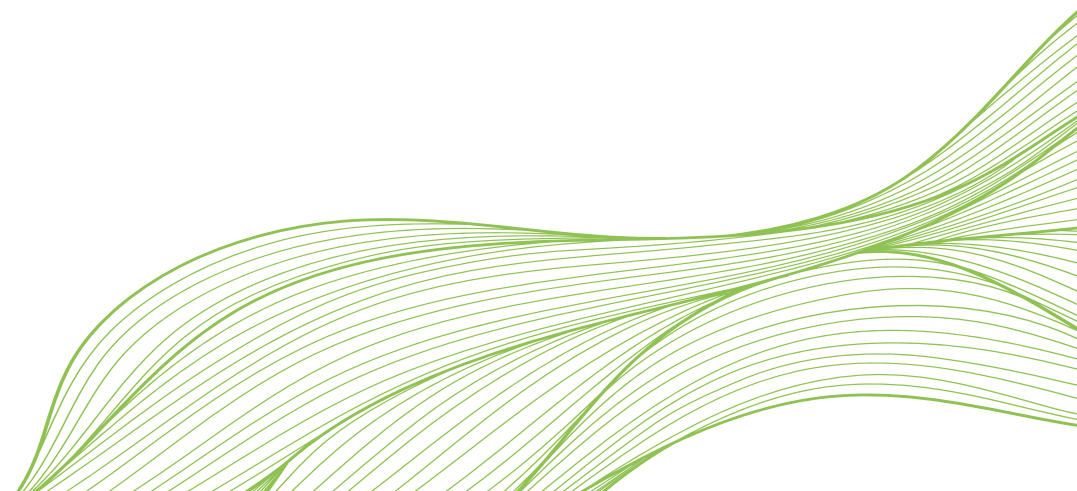
The overall purpose of the Policy is to strengthen Vår Energi's ability to successfully deliver on its objectives by contributing to the Company's business strategy, long-term interests and the financial sustainability.

The principles underpinning Vår Energi's approach to executive remuneration are:

- **Alignment with Vår Energi's strategy:** the Executive Committee's compensation should be strongly linked to goals that are set as indicators for the execution of Vår Energi's business strategy.
- **Pay for performance:** the Executive Committee's compensation (excluding benefits) should be linked to Vår Energi's performance through remuneration instruments.
- **How and what:** the Executive Committee's compensation should be based on achievements related to the executive's goal plan which includes goals on both how to deliver and what to deliver.
- **Competitiveness:** remuneration levels should be determined by reference against the Norwegian oil and gas upstream market and general industry companies of comparable size and/or complexity.
- **Long-term creation of shareholder value:** Executive Committee should align their interests with the interests of shareholders by holding shares in Vår Energi.
- **Consistency:** the remuneration structure for the Executive Committee should generally be consistent with the remuneration structure for other employees in Vår Energi with the caveat that certain incentives might have limited distribution due to market conditions.

- **Compliance:** decisions should be made in accordance with delegated authority in Vår Energi and in the context of the Code of Ethics. Compliance with applicable laws and corporate governance principles should be ensured when policies and plans are designed and implemented.
- **Risk assessment:** the remuneration systems and levels should meet risk-assessment tests to ensure that shareholder's interests are safeguarded, and reputation issues are avoided.

To successfully implement the business strategy and safeguard the Company's long-term interests of Vår Energi, the Company needs to be able to attract and retain executives with relevant experience, expertise and advanced leadership skills. The Policy, processes and control mechanisms set forth herein, seeks to ensure a successful execution of the operating plan in the short term and delivery of strategic goals and financial sustainability in the longer term.





# 3. Remuneration

The remuneration includes all salary and benefits received by Executive Committee members, including fixed and variable remuneration, pension plans and other specific remuneration elements. The remuneration of members of the Executive Committee reflects the responsibilities of each executive considering the characteristics of their positions. To ensure an independent weighting of the positions in the Executive Management team the Company uses an external consultancy for evaluation and classification of the roles.

## 3.1 Base salary

The base salary shall reflect the requirements for the position with regards to qualifications, responsibilities, complexity, and breadth of role and how this contributes to achieving the Company's goals. The base salary should normally be the main element in the executive's compensation and, as such, the element that best supports the Company's ability to attract and retain qualified leaders and thereby fulfilment of the Company's strategy and vision.

The base salaries of the members of the Executive Committee are reviewed annually considering the development of the role, the executive's performance and general salary developments in the market. This review also considers the result of the annual salary negotiations between the Company and its employee organisations. As the base salary reflects responsibility and performance, they are individual and differentiated.

The Board determines the CEO's base salary. The base salary of other members of the Executive Committee are determined by the CEO upon information to the Remuneration and Leadership Development Committee. The same applies when new members of the Executive Committee are appointed.

## 3.2 Variable pay for Executives employed by Vår Energi ASA

### 3.2.1 Introduction

Performance based variable remuneration helps to place the focus on goals that are important for the Company's strategic deliveries, profitability, and value creation both in the short and long term. Vår Energi

has two main variable pay plans: the Annual variable pay (the "AVP") and the Long-term incentive (the "LTI").

### 3.2.2 Company performance modifier

Based on decision by the Board in 2022, Vår Energi introduced a company performance modifier. This modifier is applied in the AVP plan and in the LTI plan.

Vår Energi's total shareholder return (the "TSR") is compared to the TSR of a peer group consisting of 8 - 12 other companies within the oil and gas industry and the Company's relative position in the group is determined. A position of quartile 1 means that Vår Energi is amongst the top scoring quartile of peer companies. A position of quartile 4 means that Vår Energi is in the bottom performing quartile. By applying relative numbers, the effect of fluctuating oil and gas prices is to some degree reduced.

The Board based on analysis by the Remuneration and Leadership Development Committee determines which companies are included in the peer group.

The Company performance modifier has a range of 0.5 - 1.5.

The Company performance modifier is introduced to establish a direct link between variable pay and the Company's share price performance. In addition, alignment of management's interests with those of the shareholders is an objective.

The Company performance modifier was implemented from 2022 and is a relatively new instrument in the Company's remuneration toolbox. As such, reservations are made that adjustments or modifications of the modifier might be needed in the duration period of this Policy. Any changes to the Company performance modifier concept will be decided by the Board and a description of a revised model will be included in the next remuneration policy and reported to the AGM.

### 3.2.3 The goal plan

The Board determines the annual goal plan for the CEO, including business goals, individual goals, key performance indicators and weighting of the goals. The goal plan encompasses the Company's Balanced scorecard (the "BS") and the CEO's individual goals including leadership development goals and plan. The CEO determines the goal plan for other members of the Executive Committee. Weighting of goals defined in the Company's Balanced scorecard or derived from

the BS and individual goals are subject to decision by the Board.

In the Policy of 4 May 2023, it was decided that Balanced scorecard goals should be weighted 80% whereas individual goals should be weighted 20%. It is the Board's consideration that there is a need for flexibility when it comes to the decision of the weighting. It is not considered appropriate that this weighting should be decided by the AGM. The change on this point is that the weighting of goals should be subject to decision by the Board.

The Company's balanced scorecard is aligned with the Company's strategy of long-term growth and value creation, in a safe and responsible way, for all stakeholders. As a pure play Norwegian oil and gas company, we will also provide Europe with secure and reliable energy, at a low cost, with low emissions, and robust financials. The key performance indicators and ambitions, included in the Company's BS, are weighted according to the following categories, to ensure a sustainable and strong commitment to deliver on the Company's long-term strategy. The main Company targets and ambitions (both financial and non-financial) are communicated to stakeholders as part of the quarterly reporting and annual Capital Market Updates.

Main categories are:

- Total shareholder return
- Safety and ESG
- Financial
- Operational
- Resources and reserves

The Board assesses and determines the achievement of Company goals, while the achievement of business area goals is assessed and determined by the CEO. The Board makes a discretionary assessment and determination of the CEO's performance achievements and determines the CEO's remuneration under the AVP plan. For other members of the Executive Committee the performance achievements are assessed and determined at the CEO's discretion. To the extent a Company goal is included in the goal plan of any of the CEO's direct reports, the Board's decision prevails for this goal achievement.

### 3.2.4 The Annual Variable Pay (AVP) plan

The AVP plan is cash based with a qualifying period that follows the calendar year. The AVP plan consists of the following elements:

- Assessment of the Company's and the individual goal plan which concludes with a performance percentage in the range of 0-100%.
- The AVP plan for the CEO and selected Executives has a maximum opportunity of 80%. For other members of the Executive Committee, the maximum opportunity is 50%.
- Performance at target gives a bonus factor of 40% for the CEO and selected Executives, and 25% for other members of the Executive Committee.
- The bonus factor is multiplied with the Company performance modifier to determine the final annual variable pay percentage.
- The AVP is calculated as a percentage of the executive's base salary as of the qualifying year.
- The maximum annual variable pay for the CEO and selected Executives is 120%, and for other members of the Executive Committee, it is 75%, including the effect of the Company performance modifier.

#### Example of annual variable pay model

#### The Goal plan (100%)

**Business scorecard**  
(Weighting 70%)

**Individual performance assessment**  
(Weighting 30%)

		Weighting	Bonus factor
Company Balance Scorecard Results	50%	70%	35%
Individual assessment of Goal Plans	80%	30%	24%
<b>Total</b>			<b>59%</b>

**Performance percentage**  
The performance percentage is multiplied with maximum opportunity in the AVP plan:  
CEO: 0-max 80%  
Exec. Com: 0-max 50%

Total bonus factor	Max value of AVP plan	Performance percentage
59%	80%	47%

#### Company performance modifier

Weighting	Bonus factor
1	1.5
2	1.4
3	1.3
4	1.2
5	1.1
6	1.0
7	1.0
8	0.9
9	0.8
10	0.7
11	0.6
12	0.5

Performance percentage	Example TSR ranking 4	Total AVP%
47%	1.2	56.4%

The maximum levels are only paid if all stretched goals are fully achieved and Vår Energi ends up with the best annual TSR in the peer group.

AVP is not included in the pensionable income for the Company's occupational pension plan.

### 3.2.5 The Long-term incentive (LTI) plan

Participation in the LTI plan is based on annual invitation. The LTI has limited distribution and is mainly a plan for the Executive Committee and other key executives and professionals.

The LTI is a share-based remuneration. The LTI consists of the following two components:

- A LTI factor ranging from 25 - 100%
- The Company performance modifier ranging from 0.5 - 1.5

For the CEO, the LTI factor is 100% (c.f. explanation follows). For other members of the Executive Committee, the LTI factor is in the range of 25 - 30%. The annual LTI award percentage is determined by multiplying the LTI factor with the Company performance modifier for the previous year. The award percent is applied to decide the annual award amount, which is calculated in percent of the Executive's base salary.

The maximum award including the effect of the Company modifier is 150% for the CEO and 37.5 - 45% for other participants in the LTI plan.

The participants in the plan are obliged to invest the award amount (net after deduction of tax) in shares issued by Vår Energi. The purchase of shares is arranged through a broker on behalf of the participants. The shares are placed in securities accounts in the name of each individual member of the LTI plan. The shares have a lock-in period of three years from the day the shares were placed in the individual's account.

If the participant leaves the Company or submits his/her notice before the expiry of the lock-in period, an amount equal to the gross grant must be refunded to the Company. Refund of tax must be sorted out with the tax authorities by the participant.

The LTI award is not included in the basis for vacation pay or pensionable income.

The maximum remuneration level for the CEO position under the LTI plan is increased from 45% to 150% of base salary. Market surveys show that 45% is relatively low within the oil and energy industry. In the international market, even 150% is moderate. To achieve maximum LTI grant, Vår Energi must

meet the stretch target of being the best company in the peer group on TSR result in the foregoing year. The maximum level for other members of the Executive Committee is also adjusted. The previous maximum of 37.5% of base salary is replaced by the range 37.5 - 45% to provide increased flexibility and room for differentiation based on roles and responsibilities. The new maximum levels are expected to strengthen the Company's position in the executive market and, as such, underpin the long-term interests of the Company.

### 3.2.6 Shareholding

The Board believes that shareholdings by the Executive Committee is an important way of ensuring that shareholders and the Executive Committee share the same priorities. Executives' shareholding creates a balanced connection between individual wealth and Vår Energi's long-term performance. This is expected to support effective governance and an ownership mindset.

The CEO is expected to build up a shareholding of one time his/her base salary over five years from appointment. Other members of the Executive Committee are expected to build up a shareholding of one half of their base salary over the same period.



### 3.2.7 Repayment

The Company may demand repayment of variable remuneration which was paid based on facts that were self-evidently incorrect, if the Company paid the remuneration incorrectly or if calculation and payment of the remuneration was based on accounting errors that were not discovered until after the payment was made. The same applies if the Company reveals that the executive materially breached his/her obligations or violated the Company's Code of Ethics.

The Company's repayment claim is not affected by the fact that the executive has left the Company.

### 3.3 Pension plan

Vår Energi has a defined contribution pension plan that satisfies the statutory requirements in the Norwegian law on required occupational pension. Contributions are paid to pension insurance plans and charged to the income statement in the period to which the contributions relate. Once the contributions have been paid, there are no further payment obligations.

The Company's pension deposit constitutes 7% of pensionable income per year up to 7.1 G<sup>1</sup>, and 25.1% of pensionable income between 7.1 G and 12 G. In addition, Vår Energi has administratively established an arrangement granting a deposit of salary above 12 G, which is paid with the monthly salary.

### 3.4 Benefits

The CEO and other members of the Executive Committee usually receive work-related tools and benefits, including various benefits that apply to other employees. The Executive Committee is covered by Vår Energi's personnel insurance scheme and the Company's travel and health insurance schemes.

Vår Energi has made arrangement to provide two types of subsidised loans to employees: mortgage and car loans.

Executive Committee members may participate in Vår Energi's share savings plan (the "SSP"). Under the SSP, all employees of Vår Energi are given the opportunity to invest up to 5% of their base salary in shares issued by Vår Energi. The shares purchased under the SSP program are subject to a two years (calendar years) lock-in period. After the two years period, the Company will match the number of shares invested by allocation of shares to the employees with the ratio 1:1.

### 3.5 Benefits upon termination

The members of the Executive Committee and the CEO have six months' notice period.

Upon termination of an employment relationship initiated by the Company, the members of the

Executive Committee are entitled to six months' severance pay. The CEO has according to his contract of employment 12 months' severance pay.

Remuneration or other income which the outgoing member of the Executive Committee earns during the severance pay period is deducted from the severance pay.

If the contract of employment terminates because of a gross breach of duty or other material breach of the contract of employment, the right to severance pay will lapse. The right to severance pay will also lapse if the outgoing member of the Executive Committee is entitled to disability benefit or retirement pension.

If a non-compete clause or other restriction on termination is enforced against a member of the Executive Committee who leaves Vår Energi, he/she may be entitled to compensation in accordance with applicable law and/or agreement.

<sup>1</sup> G corresponds to the basic amount in the National Insurance Plan in Norway, which as of 1 May 2023 amounts to NOK 118 620. The basic amount is updated annually.

### 3.6 Remuneration in extraordinary circumstances

In extraordinary circumstances, members of the Executive Committee, including the CEO, may be granted additional remuneration or remuneration that is not described above in this Policy. This will apply in ad-hoc situations where it is considered necessary for the Company to offer extraordinary remuneration as a one-off reward or for a limited time. This remuneration will typically be:

- Recognition for extraordinary work effort
- Compensation for a temporary expanded responsibility
- Sign-on bonus upon hiring
- Compensation for the loss of bonus or forfeited long-term incentives from a previous employer
- Retention of critical resources in special situations

Decisions on special remuneration are made by the Board if it concerns the CEO, and by the CEO if it concerns other members of the Executive Committee.



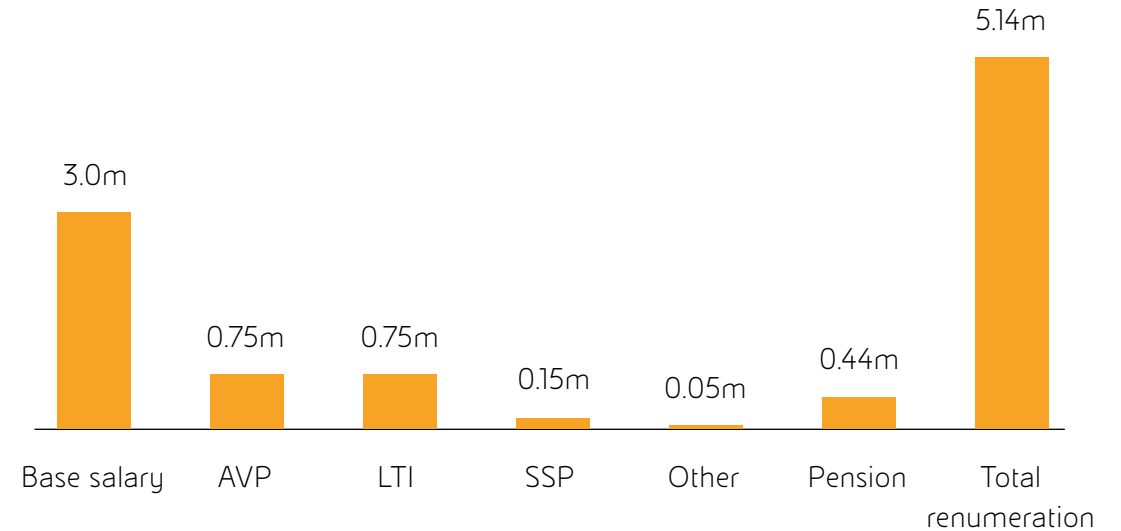
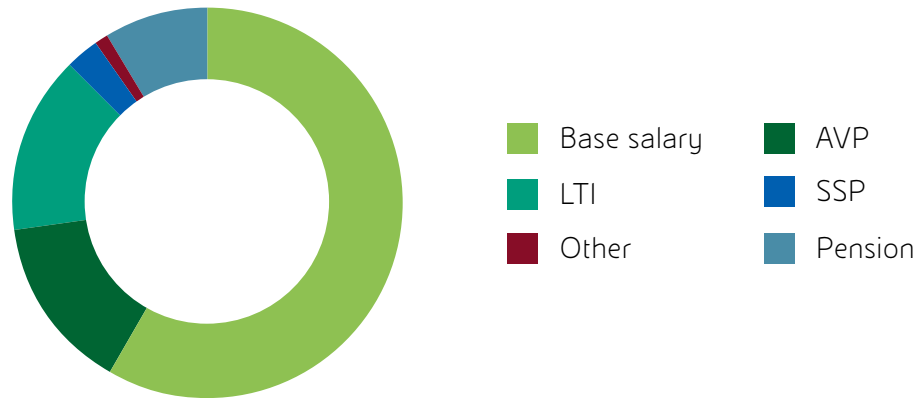
### 3.7 Total remuneration and remuneration component's proportional part

The tables below show an overview of the total remuneration for an executive in the Company's Executive Committee. The starting point of the example is a base salary of NOK 3 000 000. Annual variable pay estimated for performance at target (25% of base salary) and the LTI award is set at 25% of base salary.

The company performance modifier is assumed to be 1.0. Pension contribution is according to the Company's defined contribution pension plan and share savings participation is estimated at 5% of base salary. Other benefits are estimated to be NOK 50 000.

This makes a total remuneration of NOK 5 140 000.

Executive Vice President - Remuneration components proportional part





## 4. How remuneration and terms of employment for Company's employees are taken into consideration in designing the Policy

The remuneration for Vår Energi's Executive Committee, as described in this Policy, is evaluated against the Company's general remuneration provisions for other employees of the Company. A comparison is shown in the table below:

Terms of employment	General principles for employees in the Company	Members of the Executive Committee - in accordance with the Policy
Remuneration level	Competitive, bench marked against the oil and gas upstream sector	Competitive, bench marked against oil and gas upstream sector and general industry in Norway
Review of base salary for Individually paid employees	Annually, within the framework of the collective agreements in the Company	Annually, reference is made to the framework of the collective agreements in the Company, trends in executive remuneration for comparable positions. Efforts are made to have mainly the same salary growth for management as for employees.
Annual Variable Pay (AVP)	All employees of the Company. Maximum 25% of base salary. Based on Company performance (Balanced scorecard) and individual performance multiplied with the company performance modifier.	Maximum level CEO and selected Executives 120%, other members of Executive Committee 75%. Based on achievement of goals in the goal plan including the Balanced scorecard and individual goals and the effect of the Company performance modifier.
Long-term incentive (LTI)	The LTI plan is limited to Executive Committee and other key executives and professionals.	Share based LTI for members of the Executive Committee. Annual maximum: CEO 150% of base salary, other members of the Executive Committee 37.5 - 45% of base salary.
Share Savings Plan	All employees of the Company. They may save up to 5% of base salary.	All members of the Executive Committee. They may save up to 5% of base salary.
Pension plan The defined contribution plan	7% of pensionable income up to 7.1 G <sup>2</sup> 25.1% of pensionable income between 7.1 G and 12 G. A % deposit of salary above 12 G.	7% of pensionable income up to 7.1 G 25.1% of pensionable income between 7.1 G and 12 G. A % deposit of salary above 12 G.
Insurance plan	Covered by personnel insurance and health and travel insurance	Covered by personnel insurance and health and travel insurance
Loans and guarantees	Subsidized loans, mortgage and car loan	Subsidized loans, mortgage and car loan
Notice period	Normally three months	Normally six months

<sup>2</sup> G corresponds to the basic amount in the National Insurance Plan in Norway, which as of May 2023 amounts to NOK 118 620. The basic amount is updated annually.

## 5. Process for determining remuneration

The Board has established a Remuneration and Leadership Development Committee consisting of three of the Board's members. The Committee is a preparatory body to the Board and has no decision making power.

The Remuneration and Leadership Development Committee prepares and makes recommendations to the Board prior to the Board's consideration of and decisions on all matters pertaining to the CEO's remuneration.

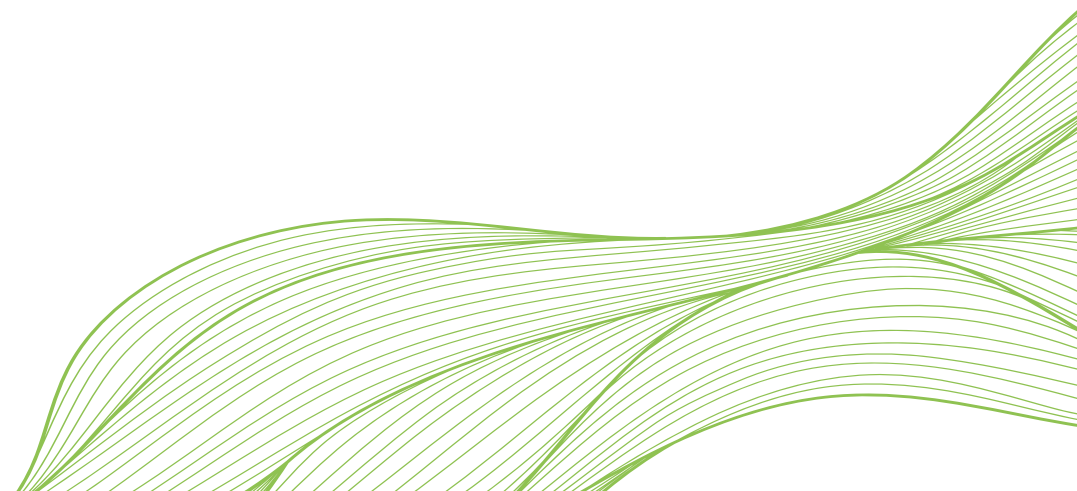
The Remuneration and Leadership Development Committee shall monitor and evaluate the remuneration plans for the Executive Committee as well as the current remuneration structures and compensation levels within the Company.

In addition, the Committee's mandate includes preparing the Board's considerations of any issue of principle related to salary levels, plans for variable remuneration, employment contracts and the like for the Executive Committee in the Company, as well as other remuneration issues which is considered significant for Vår Energi's competitiveness, talent attraction and reputation.

The Board makes all decisions concerning the CEO's remuneration. The CEO makes all decisions concerning remuneration of other members of the Executive Committee upon information to the Remuneration and Leadership Development Committee.

The CEO and other members of the Executive Committee are not to be present in the Board meeting during considerations related to remuneration when such matters pertain to them. The members of the Remuneration and Leadership Development Committee shall be independent in relation to the Company and the members of the Executive Committee.

The Policy shall be approved by the Annual General Meeting at every material change and at least every fourth year.



## 6. Deviations from the Policy

The Policy is binding for the Company from the time it is adopted by the AGM.

The Companies Act permits the Board to temporarily deviate from the Policy in exceptional circumstances, provided that such deviation is deemed necessary to serve the Company's long-term interest and sustainability or to assure its viability. As such, the Board may, upon the recommendation from the Remuneration and Leadership Development Committee and on its sole discretion in the circumstances described below to ensure the Company's interests, sustainability or viability, resolve to deviate from any section of this Policy temporarily, including but not limited to:

- Upon changes in or amendments to relevant laws, rules or regulations.
- Upon changes of the CEO.
- Upon changes to the company's structure, ownership, and business (e.g. mergers, demergers, takeovers, acquisitions).
- Other exceptional circumstances where such deviation may be required to serve the long-term interest or sustainability of the Company or to assure its financial viability.

Deviations from this Policy and the background for any such deviation shall be described in the annual remuneration report to be prepared for each financial year by the Board.





# 7. Guidelines on remuneration for the Board of Directors in Vår Energi ASA

## Board of Directors

Each member of the Board receives a fixed fee determined by the Annual General Meeting on an annual basis, based on the Election Committee's recommendation. The four members of the Board appointed by Eni do however not receive any remuneration, neither as Board member nor as committee member.

Members of the Board's three committees, the Audit Committee, the Remuneration and Leadership Development Committee and the Safety & Sustainability Committee, receive a fixed annual fee in addition to the ordinary Board fee. The committee member fees are determined by the Annual General Meeting.

In addition, travel expenses are reimbursed on account.

The members of the Board do not receive variable remuneration from the Company. Board members elected by and among the employees receive less remuneration than the shareholder-elected Board members. Further, the employee-elected Board members receive salary, pension, and other remuneration such as bonuses and share-based remuneration in accordance with the Company's general terms for employment.

Pension contributions or vacation pay are not paid on the fees of Board members.

The Chair and other members of the Board have no agreements for compensation in the event of termination or changes in their position as Board members.

