

## **THE BOARD OF DIRECTORS' DECLARATION ON DETERMINATION OF SALARY AND OTHER REMUNERATION TO THE EXECUTIVE MANAGEMENT IN MAGSEIS FAIRFIELD ASA**

This declaration has been prepared by the board of directors of Magseis Fairfield ASA (the "Company" and, together with its subsidiaries, the "Group") in accordance with Section 6-16a of the Norwegian Public Limited Liability Companies Act, in connection with the Company's annual general meeting to be held on 23 April 2020.

The declaration includes the guidelines which the Company will use for the determination of salary and other remuneration to its executive management (the "Executive Management") in the calendar year 2020.

The guidelines for salary and other remuneration to the Executive Management shall be subject to an advisory vote by the general meeting, provided, however, that the guidelines regarding share-based remuneration set out in Section **Error! Reference source not found.** below shall be approved by the general meeting, cf. Section 5-6 (3) of the Norwegian Public Limited Liability Companies Act.

The board of directors has established a remuneration committee consisting of three board members, being Wenche Kjølås (chairperson), Luis Araujo and Angela Durkin. The remuneration committee is a sub-committee of the board of directors and its objective is to act as a preparatory and advisory body in relation to the Company's remuneration of the Executive Management and to ensure thorough and independent preparation of matters in relation to compensation of the Executive Management.

### **1 GUIDELINES FOR SALARY AND OTHER REMUNERATION**

*The guidelines covered under this section address general aspects and principles for executive remuneration and are subject to a separate vote at the annual general meeting, the result of which is advisory (non-binding) to the Board.*

#### **1.1 Main principles**

The objectives of the Executive Management compensation program are, in particular, to (i) attract, motivate, retain and reward the individuals of the Executive Management and (ii) ensure alignment of the Executive Management with the long-term interests of the shareholders. The Company's executive compensation program is intended to be performance driven and is designed to reward the Executive Management for reaching key financial goals and strategic business objectives and enhancing shareholder value.

The main purpose of the executive management remuneration is to encourage a strong and sustainable performance-based culture, which attracts, retains and develops qualified people with the right managerial and professional competencies, and thereby also supports and contributes to the Group profit and increased shareholder value.

#### **1.2 Base salary**

Base salary is typically the primary component of Executive Management compensation and reflects the overall contribution of the executive to the Company. The base salary is determined based on a range of factors, including: (i) scope of work and responsibilities; (ii) competitive pay practices; (iii) background, training and experience of the executive; and (iv) past performance of the executive at the Company. Adjustments to base salary are ordinarily reviewed every 12 months or longer by the Board.

#### **1.3 Variable salary**

The board of directors and the Company's compensation and talent committee have established an incentive plan for all employees, including the Executive Management. The incentive plan gives the

employees and the Executive Management the right to cash bonuses if specified KPIs, containing both company components and individual components, are achieved. As further described in section 2 below, the incentive program also includes the grant of restricted stock units (RSUs) for certain categories of employees, including the Executive Management, as well as performance stock units (PSUs) to the members of the Executive Management, if the relevant KPIs are achieved. The incentive plan is designed to drive performance and reward for performance.

The cash bonus is capped at a set percentage of the employees' annual salary. For the members of the Executive Management, the cap is set at 100% of their annual salary.

The participants in the incentive plan are not guaranteed to receive a bonus payment and the details and terms and conditions of the incentive plan may be changed at the sole discretion of the BOD and compensation and talent committee.

#### **1.4 Severance payment arrangements**

The CFO and CEO are entitled to severance payments.

The CEO is entitled to a severance pay equivalent to 100% of his fixed salary for 18 months if the employment is terminated by the company, or 24 months in the event of termination within 12 months following a change of control. In the event of the latter, he will also be entitled to pro-rated bonus for the year of termination.

The CFO is entitled to a severance pay equivalent to 100% of his fixed salary for 18 months, pro-rated bonus for the year, and vesting of LTI and RSU, if the employment is terminated by the company, or in the event of termination following change of control. If the CFO resigns, he is entitled to six months' notice period, and prorated bonus for the year.

The existing employment agreements for the other members of the Executive Management do not include provisions with respect to severance payments. Severance payment arrangements, if any, will therefore be based on negotiations between the Company and the relevant member of the Executive Management on a case-by-case basis.

#### **1.5 Benefits, pension and insurances**

The members of the Executive Managements are entitled to various benefits in line with market standards for their respective positions. All members of the executive management participate in the ordinary pension and insurance programs available for all employees of Company.

## **2 SHARE BASED INCENTIVES**

*The guidelines covered under this section address elements of executive remuneration linked to shares or the Company's share price and are subject to a separate vote at the annual general meeting, the result of which is binding for the Board.*

The Company has granted both shares options, RSUs and PSUs under various programs in the past. The board of directors propose that such existing share options, RSUs and PSUs are fulfilled according to their terms.

In 2020, new RSUs and PSUs will be granted under the incentive plan described in section 1.3 above. Pursuant to the incentive plan, RSUs and PSUs may be granted to the members of the Executive Management as well as certain other categories of employees as follows:

- The members of the Executive Management may be granted an annual share award in the form of PSUs based on performance KPIs, vested annually when granted. The PSU award is capped at 35,000 PSUs (cash value maximum of USD 52,500).
- The members of Executive Management and certain other categories of employees may be granted an annual shares award in the form of RSUs, vested over a three-year period, i.e. at the end of the third year following grant. The RSU award is capped for each category of employees, and the cap for the Executive Management is 250,000 RSUs (cash value maximum of USD 375,000).

In addition, RSUs may be granted to new and existing members of the Executive Management outside the incentive plan as part of their total remuneration package.

The further terms of the PSUs and RSUs is to be determined by the board of directors and the talent and compensation committee.

### **3 REMUNERATION PRACTICE IN 2019**

*The information in this section is not subject to any vote by the general meeting.*

The main purpose of the senior executive remuneration programs for 2019 was to encourage a strong and sustainable performance-based culture, which supports growth in shareholder value. The total remuneration to senior executives consisted of base salary, cash incentive bonus and long-term equity-based incentives.

The Group have been compliant with the advisory and binding guidelines during the course of the last financial year.

Salary and other remuneration for the CEO and the other members of the Management for the year 2019 are described in further details in note 31 to the Company's annual accounts for 2019.

There has not been made any changes or agreements that are considered to have an impact on the Company or the shareholders.