

Note 16 Statement on the remuneration for senior executives

FRAMEWORK

The statement on senior executives' remuneration has been prepared in accordance with the Norwegian Public Limited Liability Companies Act, the Norwegian Accounting Act, and the Norwegian Code of Practice and adopted by the board.

It includes the main elements in the company's remuneration policy, an assessment of how this was executed in 2020 and targets for 2021, including update on the group's long-term incentive schemes.

GENERAL PRINCIPLES

The board determines the framework for remuneration of senior executives and believes it to be a tool to retain and attract required leadership, and to ensure there is a strong alignment between management's, the company's and the shareholders' long-term interests.

The board determines the group CEO remuneration and the short- and long-term incentive schemes for all senior executives. The group CEO determines fixed salary and benefits in kind based on a framework specified by the board for other senior executives.

Remuneration shall be competitive, but not market leading, in the relevant labour market(s). The remuneration level should be fair and reflect the complexity and responsibilities of each role.

The total remuneration package consists of:

- 1) A fixed salary and salary benefits,
- 2) An annual variable, performance-based remuneration
- 3) A long-term incentive scheme,
- 4) pension and insurance schemes, and
- 5) benefits in kind.

EXECUTION OF REMUNERATION POLICY AND PRINCIPLES IN 2020

The statement for 2019 which included the guidelines for remuneration for 2020 was presented to the annual general meeting on 29 April 2020. 99.6% of the A shares and 98.7% of the B shares present at the annual general

meeting voted for the statement (for further details, refer to Minutes from the AGM 2020).

For 2020, the board believes the execution of the remuneration guidelines were in accordance with the statement given to the annual general meeting in April 2020. Below is an assessment of each element in the remuneration package.

DEFINITION OF SENIOR EXECUTIVES

For the purpose of this statement, employees included are those senior executives covered by the group's annual variable pay and/or long-term incentive scheme: Thomas Wilhelmsen (group CEO), Christian Berg (group CFO), Jan Eyvin Wang (Executive vice president New Energy), Benedicte Teigen Gude (Executive vice president HR, culture, and communication), Bjørge Grimholt (Executive vice president Maritime Services), Carl Schou (President Ship Management), and John Stangeland (CEO NorSea Group).

FIXED SALARY

The main element of the remuneration package is the fixed salary, which should be competitive and aligned with the markets in which the group operates. It should reflect the individual responsibilities, complexities, exposure, and performance related to the individual positions.

Fixed salary 2020

For details regarding benefits paid in 2020, see note 6 to group accounts and notes on page 53 and note 2 to parent company accounts and notes on page 94, which also includes comparable figures from 2019.

Following uncertainties related to the continued impact of COVID-19, it was decided not to adjust senior executives' salaries in 2020 (except for one which received a 1.5% adjustment as a step to reduce difference between fixed and market salary).

Fixed salary 2021

The base salary is assessed annually based on the individual's performance, normally in June with effect from 1 July. The assessment includes financial and non-financial elements. It is also based on the general development of salaries in the local market in which the individual operates.

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VARIABLE PAY

The group offers an annual variable pay (short-term incentives) and long-term incentive scheme. Variable pay is linked to development of value adjusted equity, which is deemed to be a sound financial measurement for the portfolio of companies and investments in the Wilhelmsen group, and clearly linked to the group's ambition of creating value over time. Value creation over time presupposes sustainable business models, in a broad sense of the word including being financially profitable short- and longer-term and taking the needs of future generations and society at large into account. A sustainable business strategy is deemed necessary to ensure the financial survival of the group and in the best interest of the group's shareholders. A profitable business model is in its essence sustainable over time. To further strengthen the group's focus on supporting the sustainable development goals, above an increase in value adjusted equity over time, specific targets linked to environment, social and/or governance targets might be included in the short- and long-term incentive schemes. Financial and non-financial measures are intended to ensure the group's achieved the right results, the right way – both short- and longer-term.

Annual variable pay (short-term incentive)

To encourage a strong performance culture, Wilhelmsen offers an annual variable pay rewarding individuals for annual achievements. The targets are linked to the group's financial and non-financial performance, including both business achievements and how the achievements have been made. It aligns the senior executives with relevant, clear targets derived from the group's long-term strategy to support value-creation over time. The variable pay includes a financial target, business target(s), and an assessment linked to the individuals' ability to live the group's governing elements and contribute to supporting the group's value creation and the value creation of the group companies which the senior executives are responsible for.

Development of value adjusted equity is determined using a sum-of-the-parts method: non-listed entities are valued using earnings multiples less debt and minorities or at net asset value, while listed entities are valued at market price.

The right to annual variable pay is based on an assessment of individual performance, including both business goals (what) and an assessment of how the achievements have been made. Financial and business targets are assessed based on goals defined by the performance contract for the senior executives approved by the board, while how achievements have been made is assessed by the board for the group CEO and by the group CEO for other senior executives and/or by the board of the individual subsidiaries.

Maximum opportunity for annual variable pay is capped at six months' salary for the group CEO and four months for remaining senior executives. A prerequisite for paying out any bonus for employees in WWH is that group has positive total comprehensive income (net profit plus other compressive income less non-controlling interests). To receive full bonus, the achievement needs to exceed set targets. In addition, each performance indicator includes a threshold which must be met for any payment to be made.

The pay-out is prorated in line with the employment time through the year. The employee may not be entitled to pay-out, if the employee at the time of the actual pay-out, has given notice of resignation or been given such notice.

Even though the requirements are met, the board can, if the group has or foresees to have severe financial constraints, decide to postpone and/or decide not to pay-out the annual variable pay. In case of documented individual underperformance, misconduct or similar, the board (for the group CEO) and the group CEO (for other senior executives) and/or the board of the respective subsidiaries have the right to refrain from paying according to the agreements made on an individual level.

SHORT-TERM BONUS PAY-OUT FOR 2020 FOR WWH EMPLOYEES

Target set by the board for 2020 and level of achievements

Development of value adjusted equity: Positive change in value adjusted equity with threshold for pay-out set to improvement of more than 6%. Improvements above 11% equals full payout for this criterion. The VAE target is linked to the group's ambitions to create value over time and should strengthen the common interest between the senior executives, the company, and its shareholders.

- The threshold for positive development of the value adjusted equity was met for 2020.

Ability to identify business opportunities related to ESG and new business opportunities to support the group's growth and sustainability ambitions:

- Several business opportunities identified and assessed related to development or transformation of existing business or creating new business opportunities, including amongst others Edda Wind, HyShip, Topeka, partnership with Tyssekrupp related to 3D printing, carbon capture storage, Elevation.

An assessment of the individual's ability to support group companies in their value creation, engagement survey results and how each individual lives the group values:

- Sound results in underlying businesses in which members of the senior executives act as president and/or chair and/or board member
- Engagement survey score above average and up compared with 2019
- High score on how senior executives lives and exercise the group's values

As the targets set by the board, and which received a positive advisory vote on by the annual general meeting in April 2020, were met, the board has decided to pay the annual variable pay the senior executives for 2020 according to agreed targets in the individual contracts.

SHORT-TERM BONUS SCHEMES FOR 2021 FOR WWH EMPLOYEES

For 2021, the board will propose to the annual general meeting for advisory vote, below performance criteria for annual variable pay:

Development of value adjusted equity

- Positive change in value adjusted equity. Threshold for pay-out is an improvement of more than 6%. Improvements above 11% equals full payout for this criterion. The VAE target is linked to the group's ambitions to create value over time and should strengthen the common interest between the senior executives, the company, and its shareholders.

Realise the group's ambitions as defined in the long-term strategy

- Contribute to decarbonisation by developing climate related targets and activities to be integrated in the group strategy and as a prerequisite for making investments.
- As part of the group's growth ambitions, the group management team will explore opportunities focused at creating sustainable growth, including opportunities transforming existing businesses, new business models, and new investment possibilities.
- Ensure a safe and healthy working environment with high ethical standards: LTIF < 0.4 (onboard vessels and onshore), leadership development training completion rate at >95%, and compliance training completion rate >95%.

Support group companies in their value creation and live the group's governing elements

- An assessment of how the individual executes and contributes to value creation plan of underlying businesses.
- An assessment of how each senior executive lives the group's governing elements, including leadership expectations, values, safe, healthy, and sustainability standards.

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Long-term incentive scheme

The senior executives (except Stangeland) participate in a long-term incentive scheme. The scheme entitles senior executives to a potential pay-out every second year, as the schemes start every second year and last for four years. Each programme is aiming at increasing alignment with the shareholders' long-term interests and how senior executives execute strategy and create value for the group and the company's shareholders over time. The board sets criteria for each programme before it starts, and they last for the whole period unless significant changes happen which deems it necessary to adjust the performance criteria. In case, changes will be disclosed.

The long-term variable compensation is based on the positive development of the group's VAE.

For this programme, the grant level reflects the level, impact, and joint responsibility of the senior executives for delivering on the group's strategic ambitions and targets and is not directly linked to individual performance.

The pay-out is prorated in line with the employment time. The employee may not be entitled to pay-out, if the employee at the time of the actual pay-out, has given notice of resignation or been given such notice. Similar if the employee resigns or is given such notice throughout the programme period. Even though the requirements are met, the board can, if the group has or foresees severe financial constraints, decide to postpone and/or decide not to pay-out the long-term incentive scheme. In case of documented individual underperformance, misconduct or similar, the board (for the group CEO) and the group CEO (for other senior executives) have the right to refrain from paying according to the agreements made on an individual level.

For the group CEO, maximum payment is 100% of annual fixed salary. For the remaining senior executives, the maximum payment is 50% of annual fixed salary.

Existing programmes

The senior executives participated in one programme that ran from 1 January 2017 to 31 December 2020. Ending at year-end, the value adjusted equity, used as performance indicator was positive, but below set threshold for award. The senior executives therefor received no pay-out on the long-term scheme ending in 2020.

The senior executives are half-way in one programme, which runs om 1 January 2019 to 31 December 2022. The performance indicator for this programme is a positive development of the group's value adjusted equity.

A new programme, running from 1 January 2021-31 December 2024, has been endorsed by the board. In addition to a positive development of the group's value adjusted equity, the board wishes to see a substantial shift in the group's activities supporting the ambition of accelerating energy transformation and contribute to decarbonisation. This target is deemed essential as part of the group's ambition of reducing its own impact, contributing to the industry's decarbonisation imperative, and playing an active role in the energy transition. The specified targets for the new long-term incentive scheme are outlined below:

Long-term incentive scheme 2021-2024	Threshold (accumulated)	Stretch (accumulated)
Positive change in value adjusted equity (70%)	21.6%	41.1%
Share of revenue and/or capital employed/invested defined as environmentally sustainable according to the EU taxonomy (30%)	10%	15%

Pension and insurance schemes

The company offers pension benefits for senior executives aligned with local markets. The scheme includes coverage for old age, disability, spouse and children, and supplement payments from the Norwegian National Insurance system.

Senior executives are part of a collective agreement (except Wilhelmsen, Wang, Grimholt, Schou), which includes a contribution of 7% for salary up to 7.1G and 22% for salary between 7.1-12G. Senior executives (except Wilhelmsen, Wang, Grimholt, Stangeland) have an extra pension for salary above 12G and receive a fixed salary addition for pension accruals above 12G.

The group CEO has the right to a life-long contribution constituting 50% of annual salary at the time of retirement. If he retires at the agreed age of 62 years, there will be a gradual reduction of annual pay until agreed retirement age at 67. Pension obligations related to salary above 12G and the option to take early retirement are insured in the case of group CEO. In case of termination of employment contract by either party prior to retirement, he is obliged to receive the calculated accumulated benefit obligation (ABO) balance of his pension programme at the time of exit, less balance in fixed pension schemes. The group CFO has an agreement to retire at the age of 67, with a gross compensation equal to 60% of base salary to the age of 70.

The president of Ships Service can retire at the age of 65 and has a defined benefit plan (66% of salary) at retirement financed through operations. In case of termination of employment contract by either party prior to retirement, he is obliged to receive the calculated accumulated benefit obligation (ABO) balance of his pension programme at the time of exit, less balance in fixed pension schemes.

The president of Ship Management resides in Singapore and is part of the group's international pension plan. The annual contribution to the retirement account is 15% of pensionable salary, limited up to 12G. He has an extra pension for salary above 12G and receives a fixed salary addition for this pension.

Severance package scheme

As a rule, senior executives who resign voluntarily or are being guilty of gross misconduct, gross negligence, disloyalty, or other material breach of his/her duties are not entitled to severance.

The group CEO has a severance pay guarantee including 100% of annual salary for 18 months after leaving the company because of mergers, substantial changes in ownership, or if deemed necessary by the board. After a six months' notice period, possible income during the severance pay period will be deducted by up to 50%.

Other senior executives (except Wang) have a total of 12 months' severance pay if they are asked to leave the company because of mergers, substantial changes in ownership, or if deemed necessary by the company. After a six months' notice period, possible income during the severance pay period will be deducted by up to 50%. Wang has a six months' notice period but is not entitled to a severance package.

Senior executives on internal and external boards

Any board compensation from company boards or boards where the group has an ownership stake will be deducted from annual variable pay from the group.