



Orrön Energy AB (publ)
Reg No. 556610-8055

Remuneration Report

Year ended 31 December 2022



Remuneration report

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The report has been prepared in accordance with the Swedish Companies Act (2005:551), the Swedish Corporate Governance Code and the Rules on Remuneration of the Board and Executive Management and on Incentive Programmes issued by the Swedish Corporate Governance Board.

Information required under Chapter 5, Sections 40–44 of the Annual Accounts Act (1195:1554) is available in Note 22 of the Annual Report 2022.

Remuneration of the Board of Directors is not covered by this report, unless it refers to work performed outside of the directorship or long-term variable remuneration. Board fees are resolved annually by the Annual General Meeting and are disclosed in Note 22 and in the Corporate Governance Report in the Annual Report 2022.

Information on the work of the Compensation Committee during 2022, and the work of the temporary Renewables Committee established by the Board to oversee the establishment of the renewables business, including remuneration matters, is set out in the Corporate Governance report in the Annual Report 2022, which also includes the updated Policy on Remuneration adopted by the 2022 EGM and the Policy on Remuneration adopted by the 2020 AGM. Both Policies on Remuneration are also available on www.orrön.com/about-us/governance/remuneration.

Introduction

The combination of the Company's legacy exploration and production ("E&P") business with Aker BP (the "Transaction") was completed as planned on 30 June 2022. Through this Transaction, the shareholders of the Company received cash totalling USD 2.2 billion and 271,908,589 shares in Aker BP, and retained their shareholding in Orrön Energy. The combination was carried out as a statutory cross-border merger in accordance with Norwegian and Swedish law, through which Aker BP absorbed Lundin Energy MergerCo AB (publ), which at the time of the completion contained the Company's E&P business. Shortly before the merger and completion of the Transaction, the shares in Lundin Energy MergerCo (publ) were distributed to the Company's shareholders as a so-called *lex asea* dividend.

This Report describes how the Policy on Remuneration for Group management of Orrön Energy ("Policy on Remuneration") was implemented in 2022. The Report also provides information on remuneration to the CEO and other members of Group management and a summary of the Company's outstanding incentive programmes.

In view of completion of the Transaction, an updated Policy on Remuneration was adopted on 16 June 2022 by an Extraordinary General Meeting ("EGM") and it replaced the previous Policy on Remuneration, which had been adopted by the 2020 Annual General Meeting ("AGM"). The updated Policy on Remuneration applies as of 1 July 2022 and takes into account the Company's smaller scale and new focus on renewable energy.

The auditors' statement regarding the application of the Policy on Remuneration during 2021 and 2022 is available on www.orrön.com/about-us/governance/remuneration

Implementation of the Policy on Remuneration

The individual elements and the total remuneration of Group management during 2022 were determined and delivered in line with the Policy on Remuneration approved by the 2020 AGM and the updated Policy on Remuneration approved by the 2022 EGM, the outcome and implementation of which are presented in this Remuneration Report. The Board and the Compensation Committee are satisfied that the Company's remuneration principles of recruiting, motivating and retaining high calibre executives capable of achieving the objectives of the Company have underpinned the implementation of the Policy on Remuneration. Remuneration has been motivational as well as appropriately and fairly rewarding executives for their contributions to the Company's success. Responsible and sustainable remuneration decisions have supported the Company's strategy, shareholders' long-term interests and sustainable business practices. Orrön Energy's strategy and long-term ambitions are further described in the Annual Report 2022 and on www.orrön.com.

The Compensation Committee

The Compensation Committee consisted for the first six months of 2022 of Cecilia Vieweg (Chair), Ian Lundin and Grace Reksten Skaugen and from 1 July 2022 of Grace Reksten Skaugen (Chair), Aksel Azrac and C. Ashley Heppenstall. The Compensation Committee met formally once during the first half of 2022 and once during the second half of 2022. Frequent contacts were also held by telephone and email to provide oversight and approvals of remuneration topics presented by Group management, as well as recommendations to the Board.

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The Compensation and the Renewables Committee invited the CEO and external advisors to attend some of its meetings and is satisfied that there has been no conflict of interest and that no individual was part of a decision that impacted his or her own remuneration directly. The work of the Board and the Compensation Committee during 2022 followed the governance process laid out in the 2020 Policy on Remuneration and the updated 2022 Policy on Remuneration, respectively. More information on the Compensation Committee's work during 2022, and the work of the temporary Renewables Committee established by the Board to oversee the establishment of the renewables business, including remuneration matters, can be found in the Corporate Governance Report in the Annual Report 2022. The Renewables Committee consisted of the current Board members Grace Reksten Skaugen, C. Ashley Heppenstall and Jakob Thomasen.

Elements of remuneration

Annual salary and benefits

Group management's fixed remuneration consists of the annual salary paid in monthly instalments and benefits that follow local practice. The Compensation Committee undertakes regular reviews of all terms to ensure that all elements of the individual package, including both fixed and variable remuneration, are determined according to the Policy on Remuneration to contribute to reasonable total reward in line with market practice.

Annual variable remuneration

The annual variable remuneration for Group management is assessed against annual performance targets that signal and reward the strategic and operational results and behaviors expected for the year, which contribute to long-term, sustainable value creation for Orrön Energy. The criteria and outcomes are further evaluated against the market, Orrön Energy's economic situation and how others are remunerated within the Company. The annual performance targets include delivery against measurable financial and non-financial performance requirements that are identified according to the individual's position and responsibilities. Each member of Group management is set performance weightings against each of the specific targets reflecting their influence on the performance outcome.

Long-term incentive plan

The Company has operated a performance share plan as a long-term incentive plan since 2014, designed to be simple and transparent whilst rewarding long-term, sustainable value creation. The awards under this yearly plan lapsed in connection with completion of the Transaction with Aker BP on 30 June 2022 and no awards are therefore outstanding at year end 2022. Detailed information on this yearly plan can be found in the Remuneration Report 2021.

A new long-term share-related incentive plan in the form of a share option plan for members of Group management and other employees of the Company was approved by the 2022 EGM ("Employee LTIP 2022"). The reason for establishing a new long-term share related incentive plan was to align the interests of the members of Group management and other employees with the interests of the shareholders as well as to provide market appropriate reward for a new business focused on growth, reflecting continuity, commitment and share price appreciation. The Board believes that the Employee LTIP 2022 will provide the Company with a crucial component to a competitive total compensation package to attract and retain employees who are critical to the Company's future success after the completion of the combination of the Company's exploration and production business with Aker BP.

The Employee LTIP 2022 was introduced as part of a new remuneration approach within the updated Policy on Remuneration for Group management, where base salaries and annual bonus opportunities were set at the lower end of the market to create an overall remuneration approach that further emphasises the long-term sustainable growth and strategic success of the Company.

The main principles applicable to the option awards ("Employee Options") as approved by the 2022 EGM for the Employee LTIP 2022 are as follows:

- Each Employee Option shall entitle the holder to purchase one share in the Company subject to continued employment within the Group. The maximum number of shares available for the participants under the Employee LTIP 2022 is 8,400,000.
- The CEO may be granted up to 2,800,000 Employee Options and other employees may be granted up to 1,400,000 Employee Options each (subject to the cap of 8,400,000 Employee Options in total).
- The purchase price per share in the Company upon exercise of an Employee Option (the "Exercise Price") corresponds to the volume weighted average price for the Company's share on Nasdaq Stockholm during 18–22 July 2022, which was determined to be SEK 8.88 per share.
- Instead of participants purchasing shares by paying the Exercise Price at exercise of the Employee Options, the primary settlement method shall be to "net equity settle" the Employee Options, meaning that the purchase price for each share shall be equal to the quotient value of the share (currently approximately SEK 0.01 per share) and that the number of shares that may be purchased shall be reduced by applying the following formula:
- Adjusted number of shares = $((A \text{ minus } B) \text{ multiplied by } D) \text{ divided by } (A \text{ minus } C)$, where:
 - A = the volume weighted average price for the Company's share on Nasdaq Stockholm during the five trading days immediately preceding the date of exercise of the Employee Option
 - B = the Exercise Price
 - C = the quotient value of the Company's share
 - D = the number of Employee Options exercised by the participant
- Only whole shares (no fractions) may be delivered and the number of shares delivered at net equity settlement shall thus be rounded down to the nearest number of whole shares.
- In the event a participant cannot exercise its Employee Options to purchase shares in the Company under applicable laws or regulations or at reasonable cost or with reasonable administrative effort by the participant or the Company, the Board shall have the right to decide to wholly or partly settle the Employee Options in cash. The Board shall also have the right to in its own discretion decide that shares and/or cash shall be withheld by the Company in order to cover or facilitate the payment of applicable taxes.
- The Employee Options shall vest on 31 July 2025 ("Vesting Date"). The three-year period from 1 August 2022 to the Vesting Date is referred to as the "Vesting Period". After the end of the Vesting Period, participants shall be entitled to exercise all or part of the Employee Options until 31 July 2029.

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- In the event of a change of control of the Company or a direct or indirect sale, transfer or other disposal of all or substantially all of the business and assets, the Vesting Period shall be deemed to have completed and the participants shall be entitled to exercise the Employee Options as of the date when the transaction becomes unconditional.
- Continued employment within the group during the entire Vesting Period shall be a condition for the Employee Options to vest. If the participant resigns after the expiry of the Vesting Period, the participant shall only be entitled to exercise Employee Options during a period of three months following the last day of employment, which may be reasonably extended taking into account any potential restrictions under applicable laws or regulations. The Board shall be authorised to waive and alter these conditions according to circumstances deemed reasonable.
- The Board shall be entitled to recalculate the maximum number of shares (per Employee Option and in total) and the Exercise Price in the event of intervening rights issues, bonus issues, share splits, reverse share splits, dividends or similar events.
- In order to further align the interests of the members of Group management with the interests of the shareholders, each member of Group management shall be required to undertake to retain a minimum of 50 percent of the shares received when exercising the Employee Options (net after taxes) until the participant has built a personal ownership of shares in the Company equal to 100 per cent of the participant's annual gross base salary (200 percent for the CEO).
- The Board, or the Compensation Committee of the Board, shall be responsible for the detailed terms and the administration of the Employee LTIP 2022 within the scope and framework of the 2022 EGM approved proposal. In connection therewith, the Board shall be entitled to adopt different terms and conditions e.g. due to new recruitment, illness, disability, death, redundancy, contractual retirement and other exceptional circumstances determined by the Board.

More information on the Group's long-term share-related incentive plan for members of Group management and other employees can be found on www.orrn.com/about-us/governance/long-term-incentive-plan/

Long-term share-related incentive plan for the CEO and other members of Group management

Participant	Plan	Vesting date ¹	Expiry date ²	Granted ³	Value (TUSD) ⁴
Daniel Fitzgerald, CEO	Employee LTIP 2022	31 July 2025	31 July 2029	2,628,000	926
Other Group management ⁵	Employee LTIP 2022	31 July 2025	31 July 2029	2,628,000	926

¹ Refers to the date from when the participant(s) is entitled to exercise the Employee Options.

² Refers to the last date the Employee Options can be exercised by the participant(s).

³ Refers to the number of Employee Options granted to the participant(s).

⁴ Refers to the fair value of the Employee Options at share price equal to Exercise Price (SEK 8.88), which has been calculated taking into account the volume weighted average price between 18 and 22 July 2022, the volatility of the share based on data of peers and a risk free rate of return of 1.8 percent. The value has been translated to USD applying average currency rates between 18 and 22 July 2022.

⁵ Comprises 2 people: Espen Hennie, CFO and Henrika Frykman, General Counsel.

Key implementation and decisions under the Policy on Remuneration

The following table summarises key implementation and decision points during the year.

Aspect of Policy	2022 implementation and decisions under Policy on Remuneration
Governance	<p>The Compensation and Renewables Committee's work in 2022 was focused on implementing an updated remuneration framework to reflect the Company's smaller scale and new focus on renewable energy following the completion of the combination of the Company's exploration and production business with Aker BP.</p> <p>More information on the Compensation and Renewables Committee's work during 2022 can be found in the Corporate Governance Report in the Annual Report 2022.</p>
Base salary	The Board approved a reduction in base salaries for Group management to reflect the change in scale and strategy for the Company, effective from 1 July 2022. The base salary levels for Group management for 2023 were increased to reflect inflation.
Yearly variable remuneration	<p>For the 2022 annual bonus, performance measures and ranges were defined and approved.</p> <p>Performance and reward outcomes for the 2022 annual bonus plan were reviewed and approved in early 2023 against pre-determined targets.</p>
Long-term incentive plan	<p>The 2022 EGM approved the Employee LTIP 2022 as described above. The Board approved a grant of Employee Options equivalent to 27 months' base salary for the CEO, and 18 months' base salary for other members of Group management.</p> <p>The Board and the Compensation Committee were satisfied that the long-term incentive has been aligned with the Policy on Remuneration and that it appropriately rewards the Company's strategy, shareholders' long-term interests and sustainable business practices.</p>
Benefits	Benefits for Group management were reduced as per 1 July 2022 to reflect the change in scale and strategy of the business.
Severance	No severance terms were applied during the year for Group management.
Claw-backs and similar actions	The Board saw no reason to exercise its right to claw back any annual bonus paid during or for 2022.

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Deviations from the decision-making process	The Compensation/Renewables Committees and the Board did not deviate from any part of the decision-making process laid out in the Policy on Remuneration approved by the 2020 AGM or the updated Policy on Remuneration approved by the 2022 EGM.
Deviations from the Policy on Remuneration	The Company did not deviate from any part of the Policy on Remuneration approved by the 2020 AGM or the updated Policy on remuneration approved by the 2022 EGM.
Shareholder engagement	At the 2022 AGM no remuneration related questions were raised or other feedback offered. At the 2022 EGM the updated Policy on Remuneration was approved by the shareholders and the resolution was conditional upon, and took legal effect in connection with, the completion of the Transaction with Aker BP on 30 June 2022.

Remuneration for the CEO, other members of Group management and certain remuneration for members of the Board of Directors

The tables below summarise the remuneration for 2022, including base salary, benefits, annual bonus for 2022, long-term variable remuneration and value of pensions.

In TUSD	Fixed		Variable		Pension	Total	Proportion of Variable ⁶
	Fixed remuneration/base salary	Other benefits ¹	Short-term variable remuneration	Long-term variable remuneration ²			
Daniel Fitzgerald, CEO ³	209	–	175	284	30	698	66%
Nick Walker, CEO ⁴	440	48	–	–	91	579	–
Other members of Group management ⁵	1,515	125	250	284	243	2,417	22%
Total	2,164	173	425	568	364	3,694	27%

¹ Other benefits may include, but are not limited to, school fees and health insurance.

² Long-term variable remuneration to Group management is reported on an accrual basis. The amounts reflect the cost accrued in 2022, valued at grant, for the share option plan approved by the 2022 EGM. The previously applicable Performance Share Plan lapsed on completion of the Transaction with Aker BP on 30 June 2022.

³ CEO from 1 July 2022. The remuneration reported for Daniel Fitzgerald as CEO does not include remuneration in respect of his position as COO between 1 January and 30 June 2022.

⁴ CEO until 30 June 2022.

⁵ Comprises 7 people: the current CFO Espen Hennie from 1 July 2022, the General Counsel Henrika Frykman for the full year 2022, the former COO Daniel Fitzgerald until 30 June 2022 and the former CFO Teitur Poulsen, the former Vice President Sustainability Zomo Fisher, the former Vice President Investor Relations and Communications Edward Westropp and the former Vice President Commodities Trading and Marketing David Michelis until 30 June 2022.

⁶ Represents the sum of Variable divided by Total.

Short-term variable remuneration to the CEO and other members of Group management

Short-term variable remuneration has been determined based on performance targets following the criteria defined in the remuneration policy. Measurable financial and non-financial performance requirements are identified according to position and responsibilities and include delivery against power generation, investment, financial, ESG and strategic targets. In 2022, all performance targets were exceeded.

Remuneration for members of the Board of Directors outside of the directorship

As in previous years, previous Chairman Ian Lundin received additional fixed remuneration for work performed outside of the duties of the Board. This remuneration paid in 2022 amounted to TUSD 27. All other remuneration paid to members of the Board consisted of the fees for directorship approved by the 2022 AGM and the 2022 EGM and can be found in Note 22 of the Annual Report 2022.

Long-term variable remuneration for members of the Board of Directors

The 2022 EGM resolved to approve a one-off long-term share-related incentive plan for members of the Board ("Board LTIP 2022") in the form of a share option plan ("Board Options"). The reason for establishing a one-off long-term share-related incentive plan for the members of the Board was to align their interests with the interests of the shareholders, as well as to provide market appropriate reward reflecting responsibilities, commitment and share price appreciation. The terms and conditions were similar to the terms and conditions of the Employee LTIP 2022. More information on the Board LTIP 2022 can be found on www.orrn.com/about-us/governance/long-term-incentive-plan/

In total 1,005,000 Board Options were awarded to the members of the Board. The Chair of the Board received 402,000 Board Options and the other Board members received 201,000 Board Options each. The cost in 2022, associated with the Board LTIP 2022, excluding any social costs, amounted to TUSD 98. The cost has been calculated based on the purchase price per share in the Company upon exercise of the Board Options, which corresponds to 120 percent of the volume weighted average price for the Company's share on Nasdaq Stockholm during 18–22 July 2022 (SEK 10.66). The calculation takes into account the volatility of the share based on data of peers and a risk free rate of return of 1.8 percent.

Comparative information of the change of remuneration and the Company's performance

Following the completion of the combination of the Company's exploration and production business with Aker BP in 2022, the remuneration from 1 July 2022 takes into account the Company's smaller scale and new focus on renewable energy. As the activity has undergone significant changes during 2022, the comparative information presented for 2022 vs 2021 may be a less relevant metric.

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	2018 vs. 2017	2019 vs. 2018	2020 vs. 2019	2021 vs. 2020	2022 vs 2021
Daniel Fitzgerald, CEO ¹	–	–	–	–	–
Nick Walker, CEO ²	–	–	–	–	–84%
Alex Schneider, CEO ³	18%	32%	18%	–	–
Other Group management	7%	26%	2%	–23%	–68%
Average remuneration to employees on a full-time equivalent basis	–30%	18%	6%	0%	–10%
Mboepd production ^{4,8}	–6%	15%	76%	16%	N/A
EBITDAX ^{5,8}	29%	–1%	12%	125%	N/A
2P Reserves ^{6,8}	3%	2%	–3%	–5%	N/A
Adjusted net result ^{7,8}	89%	–15%	11%	184%	N/A

¹ Daniel Fitzgerald joined the Company as COO on 1 January 2021 and replaced Nick Walker as the Company's CEO from 1 July 2022. For 2021 and up to 30 June 2022, his remuneration is included in Other Group management.

² CEO until 30 June 2022.

³ CEO until 31 December 2020.

⁴ Production measured by thousand barrels of oil equivalent per day ("Mboepd") as reported in the Annual Report until 31 December 2022.

⁵ Earnings before interest, taxes, depreciation and amortisation, equal to operating profit before depletion, exploration costs, impairment costs, depreciation and gain on sale of assets ("EBITDAX"), as reported in the Annual Reports until 31 December 2022.

⁶ Proved plus probable reserves ("2P"), as reported in the Annual Reports, excluding the impact of asset sales/acquisitions until 31 December 2022.

⁷ The adjusted net result equals the adjusted net result reported in the Annual Reports until 31 December 2022.

⁸ Following the combination of the Company's exploration and production business with Aker BP on 30 June 2022, a comparison of performance measures between 2022 and 2021 is no longer relevant considering the Company's smaller scale and focus on renewable energy.

Remuneration from other companies within the Group

No additional remuneration was paid in 2022 to the CEO or any other member of Group management by any other company within the Group.

Policy on Remuneration

The following Policy on Remuneration was approved by the Extraordinary General Meeting held on 16 June 2022 and applies for four years, unless a new Policy is proposed for approval earlier.

Application of the Policy

This Policy on Remuneration applies to the remuneration of "Group Management" at the Company, which includes (i) the Chief Executive Officer (the "CEO"), (ii) the Deputy CEO, who from time to time may be designated from one of the other members of Group Management, and (iii) executives so designated by the Board. The Policy also applies to members of the Board of Directors (the "Board") of the Company where remuneration is paid for work performed outside the directorship.

The Policy is, together with previous years' Policies, available on the Company's website and it will remain available for ten years.

Key remuneration principles at the Company

The Company's remuneration principles and policies are designed to ensure responsible and sustainable remuneration decisions that support the Company's strategy, shareholders' long-term interests and sustainable business practices. It is the aim of the Company to recruit, motivate and retain high calibre executives capable of achieving the objectives of the Company and to encourage and appropriately and fairly reward executives for their contributions to the Company's success.

Remuneration to members of the Board

In addition to Board fees resolved by the General Meeting, remuneration as per prevailing market conditions may be paid to members of the Board for work performed outside the directorship.

Compensation Committee

The Board has established a Compensation Committee to support it on matters of remuneration relating to the CEO, the Deputy CEO (if appointed), other members of Group Management and other key employees of the Company. The objective of the Committee is to structure and implement remuneration principles to achieve the Company's strategy, the principal matters for consideration being:

- the review and implementation of the Company's remuneration principles for Group Management, including this Policy which requires approval by the General Meeting of Shareholders;
- the remuneration of the CEO and the Deputy CEO (if appointed), as well as other members of Group Management, and any other specific remuneration issues arising;
- the design of long-term incentive plans that require approval by the General Meeting of Shareholders; and
- compliance with relevant rules and regulatory provisions, such as this Policy, the Swedish Companies Act, the Swedish Corporate Governance Code and the Swedish Corporate Governance Board's Rules on Remuneration of the Board and Executive Management and on Incentive Programmes.

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When the Committee makes decisions, including determining, reviewing and implementing the Policy, it follows a process where:

- the Board sets and reviews the terms of reference of the Committee;
- the Chair of the Committee approves the Committee's agenda;
- the Committee considers any reports, data and presentations and debates any proposal. In its considerations the Committee will give due regard to the Company's situation, the general and industry specific remuneration environment, the remuneration and terms of employment of the broader employee population, feedback from different stakeholders, relevant codes, regulations and guidelines published from time to time;
- the Committee may request the advice and assistance of management representatives, other internal expertise and of external advisors. However, it shall ensure that there is no conflict of interest regarding other assignments that any such advisors may have for the Company and Group Management;
- the Committee ensures through a requirement to notify and recuse oneself that no individual with a conflict of interest will take part in a remuneration decision that may compromise such a decision;
- once the Committee is satisfied that it has been properly and sufficiently informed, it will make its decisions and, where required, formulate proposals for approval by the Board; and
- the Board will consider any items for approval or proposals from the Committee and, following its own discussions, make decisions, proposals for a General Meeting of Shareholders and/or further requests for the Committee to deliberate on.

Elements of remuneration for Group Management

There are four key elements to the remuneration of Group Management:

	Description, purpose and link to strategy and sustainability	Process and governance	Relative share of total reward ¹
a) Base salary	- Fixed cash remuneration paid monthly. Provides predictable remuneration to aid attraction and retention of key talent.	- The Committee reviews salaries every year as part of the review of total remuneration (see below for a description of the benchmarking process).	30%
b) Annual variable remuneration	- Annual bonus is paid for performance over the financial year. - Each position has a set expected bonus opportunity, which can be up to the equivalent of 12 months' base salary. - Any value awarded by the Board that is more than 12 months' base salary is paid for delivering outstanding performance, subject to a maximum cap of 18 months base salary. - Signals and rewards the strategic and operational results and behaviours expected for the year that contribute to the long-term, sustainable value creation of the Company.	- The annual review of total remuneration also considers annual bonus awards, outcomes, target structure, weightings of targets and specific target levels of performance. - Measurable financial and non-financial performance requirements are identified according to position and responsibilities and include delivery against power generation, investment, financial, ESG and strategic targets. - The Committee reviews the design of annual variable remuneration separately.	15%
c) Long-term incentive plan	- Annual awards of equity- based long-term incentives, approved by the General Meeting, that align the interests of participants with those of shareholders. - Awards may be granted with a fair value of up to 300% of base salary at award.	- Annual review of total remuneration considers long-term incentive awards and outcomes. - Group Management are required to build a significant personal shareholding of up to 100% of base salary (200% for the CEO) over time by retaining 50% of exercised shares, net of tax, until the predetermined limit for the personal shareholding has been achieved. - The Committee reviews the design of long-term incentives separately.	50%

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d) Benefits	- Predictable benefits to help facilitate the discharge of each executive's duties, aiding the attraction and retention of key talent.	- The Committee reviews benefits and contractual terms regularly to ensure that the Company does not fall behind the market. - Benefits are set with reference to external market practices, internal practices, position and relevant reference remuneration.	5%
Total			100%

¹ Estimated reward shows the percentage of total reward where proportions are estimated assuming 50 per cent of maximum annual bonus and the fair value of the long-term incentive without any further share price or dividend effect. Different actual awards and the variable nature of incentives means that the actual proportions for an individual may be different.

Review and benchmarking

The Committee undertakes reviews of the Company's remuneration policies and practices considering the total remuneration of each executive as well as the individual components. Levels are set considering:

- the total remuneration opportunity;
- the external pay market;
- the scope and responsibilities of the position;
- the skills, experience and performance of the individual;
- the Company's performance, affordability of reward and general market conditions; and
- levels and increases in remuneration, as well as other terms of employment, for other positions within the Company.

External benchmarks for total remuneration are acquired when the Committee considers it necessary, consisting of one or more sets of companies that compete with the Company for talent, taking into consideration factors like size, complexity, geography and business profile when determining such peer groups.

Variable remuneration

The Company considers that variable remuneration forms important parts of executives' remuneration packages, where associated performance targets reflect the key drivers for pursuing the Company's strategy, and to achieve sustainable value creation and growth in long-term shareholder value. The Committee ensures that performance and design align with the strategic direction and risk appetite of the Company before incentives are approved by the Board.

There is no deferral of incentive payments, however, the Board can recover annual bonuses paid in the unlikely event of outcomes based on information which is subsequently proven to have been manifestly misstated. The Board can also in exceptional circumstances reduce long-term incentive awards, including reducing them to zero, should it consider the vesting outcome to incorrectly reflect the true performance of the Company.

Benefits

Benefits provided shall be based on market terms and shall facilitate the discharge of each executive's duties. The pension provision is the main benefit and follows the local practice of the geography where the individual is based. The pension benefits consist of a basic defined contribution pension plan, where the employer provides 60 per cent and the employee 40 per cent of an annual contribution of up to 18 per cent of the capped pensionable salary and, at the Board's discretion, a supplemental defined contribution pension plan where the employer provides 60 per cent and the employee 40 per cent of a contribution up to 14 per cent of the capped pensionable salary.

Severance arrangements

Executives have rolling contracts where mutual notice periods of up to twelve months apply between the Company and the executive. In addition, severance terms are incorporated into the employment contracts for executives that give rise to compensation in the event of termination of employment due to a change of control of the Company. Such compensation, together with applicable notice periods, shall not exceed 24 months' base salary.

The Board is further authorised, in individual cases, to approve severance arrangements, in addition to the notice periods and the severance arrangements in respect of a change of control of the Company, where employment is terminated by the Company without cause, or otherwise in circumstances at the discretion of the Board. Such severance arrangements may provide for the payment of up to 12 months' base salary.

In all circumstances, severance payments in aggregate (i.e. for notice periods and severance arrangements) shall be limited to a maximum of 24 months' base salary.



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