



Orrön Energy AB (publ)
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Remuneration Report

Year ended 31 December 2023



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 2023.

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 2023.

Information on the work of the Compensation Committee during 2023 is set out in the Corporate Governance report in the Annual Report 2023, which also includes the Policy on Remuneration adopted by the 2022 EGM. The Policy on Remuneration is also available on www.orrön.com/about-us/governance/remuneration.

Introduction

This Report describes how the Policy on Remuneration for Group management of Orrön Energy (“Policy on Remuneration”) was implemented in 2023. 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.

The auditors’ statement regarding the application of the Policy on Remuneration during 2023 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 2023 was determined and delivered in line with the 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 2023 and on www.orrön.com.

The Compensation Committee

The Compensation Committee assists the Board in Group management remuneration matters and receives information and prepares the Board’s and shareholder meetings’ decisions on matters relating to the principles of remuneration, remuneration and other terms of employment of Group management.

It consisted until 4 May 2023 of Grace Reksten Skaugen (Chair), Aksel Azrac and C. Ashley Heppenstall and thereafter of Grace Reksten Skaugen (Chair), C. Ashley Heppenstall and William Lundin.

The Compensation Committee met formally once during the first half of 2023 and once during the second half of 2023. Frequent contacts were also held by telephone and email to provide oversight and approvals of remuneration matters presented by Group management.

The Compensation Committee invited the CEO to attend parts 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 their own remuneration directly. The work of the Board and the Compensation Committee during 2023 followed the governance process laid out in the 2022 Policy on Remuneration. More information on the Compensation Committee’s work during 2023 can be found in the Corporate Governance Report in the Annual Report 2023.

Remuneration report

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 behaviours 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 with performance weightings reflecting their influence on the Company's performance.

Long-term incentive plan

A 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"), with the aim of aligning 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 provides 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. In order to secure the Company's obligations under the Employee LTIP 2022, the Company has issued 8,560,000 warrants.

The Employee LTIP 2022 was introduced as part of a new holistic remuneration approach within the updated Policy on Remuneration for Group management, where base salaries and annual bonus opportunities were set below the market average and in return, the long-term incentives were designed to strongly emphasise Group management's delivery of material shareholder returns, which is appropriate for a newly formed entrepreneurial organisation focused on growth. The Employee LTIP 2022 is designed to promote business decisions that support long-term value creation and share price appreciation, rather than delivering scale and size without clear shareholder return. As the Company operates in a business environment where renewable energy projects take a long time to mature and ultimately crystallise value, the Employee LTIP 2022 has been designed to incentivise decision making in support of this long-term value creation, which is being reflected in the length of the exercise and vesting periods. The Employee LTIP 2022 is further fully aligned with the interest of shareholders as any pay-out will require a share price increase, which is considered to be an appropriate performance criterion given the Company's current phase of development. The share price is the best measure to determine shareholder value creation, and the Employee LTIP 2022 will only deliver value to the extent that Group management are able to increase the Company's valuation. It is also challenging to find a suitable peer group at this phase of the Company's development, or other performance conditions, which would adequately assess the Company's performance against market. A performance condition focused on growth targets may not lead to share price appreciation and could in essence reward outcomes, which are not aligned with value appreciation for shareholders, in particular under current market conditions. The Board therefore believes that the Employee LTIP 2022 is the best way to ensure a clear alignment between performance outcomes for both shareholders and Group management. It is also considered that the Employee LTIP 2022 is best financed through delivery of shares allowing the Company to allocate all available capital towards growth. To minimise dilution and impact on shareholders, the net equity settlement method has been chosen to ensure that only the value created over and above the market price of the share at award is delivered, leading to a significantly lower dilution than the headline amount of options issued. As an example, assuming a scenario with an average share price growth of 10 percent per annum over seven years, the dilution to shareholders would reduce by 50 percent compared to the headline dilution shown.

A similar plan was approved by the 2023 AGM ("Employee LTIP 2023"). In order to secure the Company's obligations under the Employee LTIP 2023, the 2023 AGM resolved to approve that the Company enters into an equity swap arrangement with a third party, whereby the third party in its own name shall be entitled to acquire and transfer shares (including to the participants) in accordance with the terms and conditions of Employee LTIP 2023. The equity swap arrangement was concluded during the second quarter 2023. The Employee LTIP 2023 was offered as a complement to base salaries 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 and the 2023 AGM for the Employee LTIP 2022 and the Employee LTIP 2023 ("Employee LTIPs") are as follows:

Employee LTIP 2022

- 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.
- 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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Employee LTIP 2023

- 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 2023 is 7,000,000.
- The CEO may be granted up to 2,290,000 Employee Options under and other employees may be granted up to 1,074,000 Employee Options each (subject to the cap of 7,000,000 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 22–26 May 2023, which was determined to be SEK 11.78 per share.
- The Employee Options shall vest on 31 May 2026 ("Vesting Date"). The three-year period from 1 June 2023 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 May 2030.

Principles common to the Employee LTIPs

- 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 minus B) multiplied by D) divided by (A 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 Board, or the Compensation Committee of the Board, shall be responsible for the detailed terms and the administration of the Employee LTIPs within the scope and framework of the 2022 EGM and the 2023 AGM approved proposals. 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.
- 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 percent of the participant's annual gross base salary (200 percent for the CEO).

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 (TEUR)
Daniel Fitzgerald, CEO ⁴	Employee LTIP 2022	31 July 2025	31 July 2029	2,628,000	908 ⁵
Daniel Fitzgerald, CEO ⁴	Employee LTIP 2023	31 May 2026	31 May 2030	2,010,000	834 ⁶
Other Group management ⁷	Employee LTIP 2022	31 July 2025	31 July 2029	2,628,000	908 ⁵
Other Group management ⁷	Employee LTIP 2023	31 May 2026	31 May 2030	1,886,000	782 ⁶

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 Daniel Fitzgerald holds 500,000 shares in the Company as per 31 March 2024.

⁵ 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 EUR applying average currency rates between 18 and 22 July 2022.

⁶ Refers to the fair value of the Employee Options at share price equal to Exercise Price (SEK 11.78), which has been calculated taking into account the volume weighted average price between 22 and 26 May 2023, the volatility of the share based on data of peers and a risk free rate of return of 2.5 percent. The value has been translated to EUR applying average currency rates between 22 and 26 May 2023.

⁷ Comprises two people: Espen Hennie, CFO and Henrika Frykman, General Counsel, who hold in aggregate 160,000 shares in the Company as per 31 March 2024.

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Key implementation and decisions under the Policy on Remuneration

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

Aspect of Policy	2023 implementation and decisions under Policy on Remuneration
Governance	The Compensation Committee's work in 2023 was focused on monitoring and evaluation of remuneration structures, levels, programmes and the Policy on Remuneration, including review of the performance of the CEO and Group management as per the performance management process. More information on the Compensation and Renewables Committee's work during 2023 can be found in the Corporate Governance Report in the Annual and Sustainability Report 2023.
Base salary	The Board approved an increase of the base salary levels for Group management for 2024 to reflect inflation.
Yearly variable remuneration	For the 2023 annual bonus, performance measures and ranges were defined and approved. Performance and reward outcomes for the 2023 annual bonus plan were reviewed and approved in early 2024 against pre-determined targets, including power generation, capital and operating expenditure, G&A and ESG/sustainability, with a 50 percent weighting in total, and strategic targets focussed on growth and shareholder value creation, with a 50 percent weighting. Key achievements for 2023 are shown on the following page.
Long-term incentive plan	The 2023 AGM approved the Employee LTIP 2023 as described above. The Board approved a grant of Employee Options equivalent to 24 months' base salary for the CEO, and 15 months' base salary for other members of Group management. 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.
Benefits	Benefits for Group management were reduced as per 1 July 2022 to reflect the change in scale and strategy of the business and have been unchanged during 2023.
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 2023.
Deviations from the decision-making process	The Compensation Committee and the Board did not deviate from any part of the decision-making process laid out in the 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 2022 EGM.
Shareholder engagement	At the 2023 AGM no remuneration related questions were raised. During 2023, the Company engaged with shareholders and stakeholders and has taken feedback received into account in preparation of this Remuneration Report and other remuneration matters.

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 2023, including base salary, benefits, annual bonus for 2023, long-term variable remuneration and value of pensions.

In TEUR	Fixed		Variable		Pension	Total	Proportion of Variable ⁴
	Base salary	Other benefits ¹	Short-term variable remuneration ²	Long-term variable remuneration ³			
Daniel Fitzgerald, CEO	422	7	195	805	40	1,469	68%
Other ⁵	633	83	293	795	74	1,878	58%
Total	1,055	90	488	1,600	114	3,347	62%

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

² Short-term variable remuneration is reported on an accrual basis and includes the bonus relative to the performance in 2023.

³ Long-term variable remuneration is reported on an accrual basis. The amounts reflect the cost recognised in 2023, valued at grant, for the share option plans approved by the 2022 EGM and the 2023 AGM and does not equal the fair value of the options at the balance sheet date.

⁴ Represents the sum of Variable divided by Total.

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

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

Short-term variable remuneration has been determined based on achievement of the set performance targets, including power generation, capital and operating expenditure, G&A and ESG/sustainability, with a 50 percent weighting in total, and strategic targets focussed on growth and shareholder value creation, with a 50 percent weighting.

Key achievements in 2023 include meeting 2023 financial guidance, delivery of record levels of production, completion of the Karskröv wind farm ahead of schedule and on budget, establishing a 40 GW pipeline of onshore greenfield projects in wind, batteries, and solar across five countries, completion of six transactions, conclusion of a MEUR 150 credit facility with an accordion option at attractive terms, obtaining "Prime Status" by ISS for best-in-class ESG performance and ensuring safe operations with no material health, safety or environmental incidents. The majority of the performance targets were met, leading to a payment equal to 5.5 months base salary as short-term variable remuneration for the CEO.

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

No remuneration for members of the Board of Directors outside of the directorship has been paid during 2023.

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.orrön.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. At the 2023 AGM, Aksel Azrac declined to stand for re-election and the Board Options attributed to him were reduced to 67,000. The cost in 2023, associated with the Board LTIP 2022, excluding any social costs, amounted to TEUR 94. 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 Company has undergone significant changes during 2022, including both changes in activity and in composition and size of Group management, the comparative information presented for 2022 vs 2021 and 2023 vs 2022 may be a less relevant metric.

The comparative information in the below table includes long-term variable remuneration, which is reported on an accrual basis. The amounts calculated reflect the cost recognised, valued at grant and does not equal the fair value of the options at the balance sheet date.

	2019 vs. 2018	2020 vs. 2019	2021 vs. 2020	2022 vs. 2021	2023 vs. 2022
Daniel Fitzgerald, CEO ¹	–	–	–	–	122%
Nick Walker, CEO ²	–	–	–	-84%	–
Alex Schneider, CEO ³	32%	18%	–	–	–
Other Group management	26%	2%	-23%	-68%	-18%
Average remuneration to employees on a full-time equivalent basis	18%	6%	0%	-10%	-26%
Proportionate power generation ⁴	–	–	–	–	128%
Proportionate EBITDA ⁵	–	–	–	–	-74%
Mboepd production ^{6,10}	15%	76%	16%	–	–
EBITDAX ^{7,10}	-1%	12%	125%	–	–
2P Reserves ^{8,10}	2%	-3%	-5%	–	–
Adjusted net result ^{9,10}	-15%	11%	184%	–	–

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 Proportionate power generation represents Orrön Energy's proportionate share of the production from the entities in which the Group has an interest. This alternative performance measure is relevant from 1 July 2022 when the Company became a pure-play renewables business. See the section Alternative Performance measures on page 78 of the 2023 Annual and Sustainability Report.

⁵ Proportionate EBITDA represents Operating profit before depreciation calculated on a proportionate basis. This alternative performance measure is relevant from 1 July 2022 when the Company became a pure-play renewables business. See the section Alternative Performance measures on page 78 of the 2023 Annual and Sustainability Report.

⁶ Production measured by thousand barrels of oil equivalent per day ("Mboepd") as reported in the Annual Report until 31 December 2022.

⁷ 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.

⁸ Proved plus probable reserves ("2P"), as reported in the Annual Reports, excluding the impact of asset sales/acquisitions until 31 December 2022.

⁹ The adjusted net result equals the adjusted net result reported in the Annual Reports until 31 December 2022.

¹⁰ 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.

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Remuneration from other companies within the Group

No additional remuneration was paid in 2023 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.

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.

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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	<ul style="list-style-type: none"> - Fixed cash remuneration paid monthly. Provides predictable remuneration to aid attraction and retention of key talent. 	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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. 	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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. 	<ul style="list-style-type: none"> - 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%
d) Benefits	<ul style="list-style-type: none"> - Predictable benefits to help facilitate the discharge of each executive's duties, aiding the attraction and retention of key talent. 	<ul style="list-style-type: none"> - 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 percent 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.

Remuneration report

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 percent and the employee 40 percent of an annual contribution of up to 18 percent of the capped pensionable salary and, at the Board's discretion, a supplemental defined contribution pension plan where the employer provides 60 percent and the employee 40 percent of a contribution up to 14 percent 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.



Corporate Head Office
Orrön Energy AB (publ)
Hovslagargatan 5
SE-111 48 Stockholm, Sweden
T +46-8-440 54 50
W orron.com