

## KCC GUIDELINES FOR REMUNERATION TO THE SENIOR EXECUTIVES

These guidelines regarding remuneration to the senior executives have been prepared by the Board of Directors of Klaveness Combination Carrier ASA (the "**Company**") in accordance with the Norwegian Public Limited Liability Companies Act Section 6-16a and related regulations. The guidelines have been prepared for approval by the Company's Annual General Meeting in 2021 and will apply until the Company's Annual General Meeting in 2025, unless amended or replaced earlier.

### *Who does the guidelines apply to*

These guidelines apply to remuneration to Senior Executives in the Company. For the purposes of these guidelines, Senior Executives include CEO, CFO, and other Senior Executives when relevant.

### *Purpose and general remuneration principles*

The guidelines constitute a framework for remuneration to Senior Executives and the main general principles are:

1. The Company's remuneration principles shall be designed to ensure responsible and sustainable remuneration decisions that support the Company's business strategy and progress towards and achievement of goals, long-term interests, profitability and sustainability and long-term growth in share-holder value
2. To this end, salaries and other employment terms shall enable the Company to retain, develop and recruit skilled Senior Executives with relevant experience and competence
3. The remuneration shall be on market terms, simple and transparent, competitive while well-balanced, and reflect the performance and responsibilities of individual senior executives

In the preparation of the Board of Directors' proposal for these guidelines, remuneration and employment conditions for employees of the Company have been taken into account by considering the employees' total income, the components of the remuneration, and its conditions when evaluating whether the guidelines and limitations set out herein are reasonable.

Remuneration for Senior Executives must be duly adjusted to comply with any local mandatory rules in the jurisdiction of their employment and may be duly adjusted to comply with established local practice, taking into account, to the extent possible, the overall purpose of the guidelines.

### *Elements of remuneration*

The remuneration to the Senior Executives covered by these guidelines consists of:

- Fixed cash salary
- Annual variable cash salary
- Share option long-term incentive program
- Pension, insurances and other benefits

### *Principles for fixed cash salary*

The fixed cash salary shall be in line with market conditions for corresponding jobs in the industry, be competitive, and shall take into account the scope and responsibility associated with the position, as well as the skills, experience, and performance of each Senior Executive.

### *Principles for annual variable cash salary*

Variable cash salary (i.e. cash bonuses) shall be based on a set of predetermined and measurable performance criteria that reflect the key drivers for pursuing the Company's business strategy and progress towards and achievement of goals both related to overall and financial performance. Individual performance including strong and development-oriented leadership execution and operating in accordance with the Company's values and ethical standards are part of the evaluation. Short-term key performance criteria are linked to:

Name of goal	Description
1. Health and safety of crew and vessels	No "red flags" in commercial and technical operation of KCC's vessels and improved safety statistics
2. Profitability and cash generation	Meet identified targets for ROCE/ROE, TCE-earnings per day and premium to earnings of standard tanker vessels
3. Decarbonization	Show progress towards 2022 and 2030 decarbonization targets
4. Financing	Meet identified targets with respect to existing and new loans and bonds as well as raising new equity
5. Customer satisfaction and vetting	Improve customer vessel/office vetting performance to identified targets. Maintain customer acceptance of oldest vessel class. No rejection of any vessel based on performance
6. Commercial development	Meet targets for conclusion of current and new contracts of affreightment (COAs) and targets for contract coverage/contract cargo volumes. In addition, for the CLEANBU vessels, meet targets for expansion of customer acceptance and establishment of new combination trades

The current bonus scheme is valid for 2021<sup>1</sup> and will be evaluated and updated at the end of 2021. Bonus is distributed on an annual basis and is divided into two: i) Formula bonus based on return on equity for the relevant year, and ii) Discretionary element. The cap payment is set at 12 months fixed annual cash salary for the CEO and nine months for the CFO. The formula bonus cap is reached at 20% return on equity. However, total bonus, included any discretionary element and holiday allowance, can in no circumstances exceed the individual cap of 12 and 9 months. If not employed for a full year, the cap will be pro-rated according to number of months employed. The CFO is part of the overall discretionary bonus pool that is distributed among all employees included in the bonus scheme. The discretionary bonus pool is capped at 50 % of overall formula bonus. The discretionary bonus is based on goal achievements and individual performance. Any discretionary bonus to the CEO to be set by the Board, however, total bonus to CEO should never be above the overall cap.

Based on an assessment of performance for 2020 and that goal achievement was 75-80%, the Board of Directors resolved in February 2020 to distribute bonus to the CEO of NOK 800,000, while the bonus to the CFO was NOK 385,000, payable in 2021. This included both formula bonus and a discretionary element.

<sup>1</sup> The bonus scheme was resolved by the Board of Directors in 2019 and is applicable for 2020 and 2021

### *Principles for share option long-term incentive program*

The Company has in place a share option long-term incentive program for the Senior Executives, and the Board of Directors intends to continue to have in place such program. In the Board of Directors' view, this program form an important part of the total compensation for Senior Executives. It allows the Company to retain and hire the talent it needs for further growth and is aligned with the shareholder interests of long-term growth in shareholder value. The right to participate in the share option program is based partly on the achievement of individual targets and partly on the performance of the Company. The quantitative and qualitative goals determined by the Board of Directors are linked to:

Name of goal	Description
1. Sustainability/ decarbonization	Meet 2022 and 2030 decarbonization targets. Position the Company as a leader in low carbon shipping. Establish a leading safety culture and safety track record
2. KCC share	Succeed making KCC share an attractive investment vehicle giving an attractive return to shareholders based on share price appreciation and dividend yields
3. Long term commercial business goals	Increase share of transportation of low carbon fuels/non fossil fuel wet cargoes. Meet long term targets for share of fleet in efficient combination trade, long term contract coverage targets and customer acceptance. Succeed profitably growing the KCC's business and fleet

Options may be awarded every year following the Company's Annual General Meeting. In the current program, the options are vested over a period of three years from the grant date, 1/3 per year and first vesting to take place one year after the grant date. Exercise period is five years. Vested options may be exercised at any time as long as the option holder acts within all applicable securities legislation and internal guidelines and is still employed by the Company. The Company is entitled to, rather than issuing shares, to settle in cash. Options that are not exercised during, or on the date of final expiry, lapse without compensation to its holder. Unvested options immediately lapse and expire when an employee becomes a former employee, while the vested options will lapse on the date four months after the employee becomes a former employee as long as this complies with applicable securities legislation. The exercise price is set in NOK based on the average close trading price of the Company's share the last ten days before the grant date. The option holder is responsible for any tax obligations incurred by the option holder as a result of the acquisition and exercise of the options. The option scheme includes provisions related to public offers and mergers and adjustments related to changes in share capital among others.

The CFO and the CEO were granted 38,580 and 26,700 options respectively, in December 2019. Each option of one share each and in total equal to 0.1% of the Company's share capital. Exercise price is NOK 46.14 and the fair value based on the Black-Scholes method of the options granted was USD 128k at the date of grant. Fair value of the total number of options (all three years) compared to base salary for one year was approximately 20% for both the CEO and the CFO at the date of the grant. Additional grants in addition to the existing three-year program may follow.

### *Principles for pension, insurance and other benefits*

Senior Executives should be included in the Company's standard pension and insurance schemes on the same terms and conditions as ordinary employees. All employees are also enrolled in an insurance schemes that provide cover in the event of illness, disability or death. The following defined-contribution pension scheme applied as of March 2021:

- Savings rate of 5% of salary from 0 to 12 G (G = National Insurance basic amount).
- In addition, 15% of salary between 7.1 and 12 G is saved
- The total savings rate between 7.1 and 12 G is therefore 20 per cent

The Senior Executives are eligible for other benefits, such as a mobile phone with subscription and internet as all other employees.

Non-financial benefits shall be based on market terms and shall facilitate the duties of Senior Executives. The Company aims to have a sufficiently competitive salary and incentive programs and limit additional non-financial benefits. Any non-financial benefits, beyond what is offered to the entire workforce of the Company, shall be reviewed and approved by the Board of Directors. Such benefits shall represent a relatively low proportion of the overall remuneration package.

#### *Preparation and review of these guidelines*

These guidelines have been prepared by the Board of Directors' and approved by the Board of Directors. When the need arises for significant changes in the guidelines, but at least every fourth year, the Board of Directors shall prepare a proposal for guidelines for resolution by the Annual General Meeting. The Annual General Meeting shall decide on such proposals. Resolved guidelines may also be amended by way of resolution by general meetings other than Annual General Meetings.

#### *Termination of employment*

Upon termination of employment by the Company or the Executive, the notice period may not exceed twelve months. Fixed cash salary during the notice period and severance pay (if any) may not together exceed an amount corresponding to the annual fixed cash salary for 1 year.

#### *Derogations from these guidelines*

The Board of Directors may temporarily resolve to derogate from these guidelines, in whole or in part, if in a specific case there is a special cause for such derogation and a derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability.