



DNO ASA

2021 REMUNERATION REPORT

1. Introduction

This remuneration report (the “Report”) provides an overview of remuneration of leading personnel in DNO ASA (the “Company”) for 2021. The Report is based on the Company’s existing guidelines and practice for remuneration of leading personnel. The Company will adopt new remuneration guidelines pursuant to section 6-16a of the Norwegian Public Limited Liability Companies Act (the “Companies Act”) at the Annual General Meeting scheduled for 25 May 2022.

The main purpose of the Company’s remuneration policy is to contribute to the implementation of the Company’s overall business strategy in order to achieve the Company’s long-term objectives and maximize value creation for the Company and its shareholders by attracting, retaining and motivating highly qualified employees.

This Report complies with the requirements under sections 6-16a and 16-6b of the Companies Act. Pursuant to section 6-16b (2) of the Act, the Report will be presented to the 2022 Annual General Meeting for consultative vote.

The Report is available on the Company’s website for ten years from the time of publication.

2. Overview of financial year 2021

On the fiftieth anniversary of its founding, DNO¹ reported record revenues exceeding USD 1 billion in 2021, up 63 percent from a year earlier on the back of high oil and gas prices and solid production performance. Annual operating profit climbed to USD 321 million, reversing an operating loss of USD 315 million in 2020. Strong 2021 free cash flow of USD 362 million drove a 68 percent reduction in net debt to USD 153 million at yearend.

Notwithstanding reduced drilling activity due to the Covid-19 pandemic and related budget cuts, DNO¹ managed to maintain gross operated production of 108,700 barrels of oil per day (bopd) at its flagship Tawke license in the Kurdistan region of Iraq (Kurdistan), representing 81,500 bopd net to DNO¹. North Sea net production averaged 12,900 barrels of oil equivalent per day (boepd), bringing the Company’s total 2021 net production to 94,500 boepd.

Starting in the third quarter of 2021, DNO¹ ramped up its drilling activity on the Tawke license, aiming to keep license production essentially unchanged in 2022. Also contributing to enhanced oil recovery within the license is the USD 110 million Peshkabar-Tawke gas project commissioned in mid-2020. During 2021, 7.6 billion cubic feet of otherwise flared gas, equivalent to 461,500 tonnes of CO₂, was captured at the Peshkabar field and injected into the Tawke field for pressure support.

In late December 2021, the DNO-operated Baeshiqra license development was approved by the Kurdistan Regional Government (KRG). The project represents DNO’s first new field development in Kurdistan since the start-up of Peshkabar in 2017, and as with Peshkabar, the Company is fast tracking production, targeting organic growth in Kurdistan overall.

In the North Sea, DNO¹ is positioned to grow as new production comes on stream. Currently, the Company is involved in the ongoing Fenja field development as well as holding a stake in four PDOs (plan for development and operation) projects targeting 2022 sanction, including DNO¹ operated Brasse. North Sea exploration continues to be prioritized following two likely commercial discoveries in 2021. Seven North Sea exploration wells are planned for 2022, all in proven basins and close to existing infrastructure.

At yearend 2021, DNO¹ held 90 licenses across its portfolio. In Kurdistan, DNO¹ continues to produce what are among the lowest cost barrels in the global oil and gas industry while the North Sea offers high quality exploration opportunities. With a record-high operational spend of USD 800 million planned in

¹ DNO ASA and the companies which it directly or indirectly owns.

2022, DNO¹ remains committed to explore for and produce oil and gas in a commercially attractive but also socially responsible and environmentally sensitive manner.

3. Remuneration of the Board of Directors

The members of the Board of Directors of the Company (the “Board”) receive remuneration as directors and as members of established Board committees. The general meeting approves the remuneration of the Board and the Board committees based on proposals presented by the Nomination Committee.

The remuneration reflects the Board’s responsibility, competence, workload and the complexity of the business and is determined separately for the Executive Chairman, the Deputy Chairman and other directors of the Board. Additional fees are applied on a uniform basis for each director’s participation in the Board committees.

The remuneration of the directors of the Board is a fixed annual fee. None of the directors have pension schemes or agreements for compensation in the event of termination of or changes to their position as directors. The Company does not grant synthetic shares to the directors of the Board.

Board remuneration in 2021 and 2020:

Remuneration to the Board of Directors (USD thousand)		Fixed remuneration			Total	Proportion variable remuneration
Name, Title,	Year	Fixed Board remuneration	Other benefits	Remuneration for committee work		
Bijan Mossavar-Rahmani, Executive Chairman	2021	823	-	10	833	0%
	2020	752	-	9	761	0%
Lars Arne Takla, Deputy Chairman	2021	63	-	6	70	0%
	2020	58	-	6	64	0%
Elin Karfjell, Director	2021	53	-	6	59	0%
	2020	48	-	6	54	0%
Gunnar Hirsti, Director	2021	53	-	13	66	0%
	2020	48	-	12	60	0%
Shelley Watson, Director	2021	53	-	13	66	0%
	2020	48	-	6	54	0%
Sum	2021	1045	-	48	1,093	0%
	2020	954	-	39	993	0%

In addition to the above, a fee of USD 3,198 (2020: USD 2,921) was paid to each of Anita Marie Hjerkin Aarnæs and Kåre A. Tjønneland for service on the Nomination Committee.

Comparative information on the change of remuneration:

Name, Title,	Increase/ - decrease in total remuneration received from previous year (USD thousand and percentage)									
	2017		2018		2019		2020		2021	
	Δ	Δ %	Δ	Δ %	Δ	Δ %	Δ	Δ %	Δ	Δ %
Bijan Mossavar-Rahmani, Executive Chairman	12	2%	54	7%	-28	-3%	-53	-6%	72	9%
Lars Arne Takla, Deputy Chairman	1	2%	4	6%	-2	-3%	-4	-6%	6	9%
Elin Karfjell, Director	1	2%	4	7%	-2	-4%	-4	-7%	5	9%
Gunnar Hirsti, Director ⁽¹⁾	17	29%	-7	-9%	-2	-3%	-4	-6%	6	10%
Shelley Watson, Director ⁽²⁾	1	2%	4	7%	-2	-4%	-4	-7%	12	22%

General note: The Board remuneration is nominated in NOK and has been converted to USD using the average exchange rate for the year.

(1) Gunnar Hirsti received compensation for his 2016 work on sub-committees (Audit Committee and Remuneration Committee) in 2017.

(2) Shelley Watson became a member of the HSSE Committee in 2021.

4. Remuneration of Senior Management

The total remuneration consists of a fixed base salary, pension contribution, an annual performance-based cash bonus and awards of synthetic shares.

Remuneration types:

The remuneration of the Company's Senior Management, including the Managing Director, is subject to the evaluation and recommendation of the Remuneration Committee. The remuneration of the Company's Managing Director is evaluated annually and approved by the Board.

Any remuneration, bonuses or other incentive schemes must reflect the duties and responsibilities of the employees and add long-term value for shareholders.

Fixed remuneration: The Board did not set any upper or lower limit for the fixed salary for Senior Management for 2021 beyond the main principles set out above.

Variable remuneration: In addition to fixed salary, variable remuneration can be used to recruit, retain and reward employees. For Senior Management, such remuneration can include cash bonuses and share-based compensation. Annual bonuses, when awarded, are based on corporate results and/or individual performance.

Pensions: The Company has a contribution-based pension system under which Norway-based employees are entitled to a pension contribution of 12.5 percent of their annual salary. Any excess of the maximum legally allowable pension contribution is paid out to the employees as additional salary.

Synthetic share scheme: The Board continued its synthetic share scheme in 2021. The purpose of the scheme is to: (i) align the interests of Senior Management and other employees with those of shareholders; (ii) reward value creation; and (iii) provide retention incentives. The Board determines whether to set allocation criteria, conditions or thresholds for the scheme.

The synthetic share awards set out in the table below are subject to a two-year vesting period and require continued employment in the Company for a period of two years after the grant date/award date. The exception is 143,429 of the 146,354 shares granted to Haakon Sandborg in the 2021 award which have a three-year vesting period.

At vesting date an automatic settlement of synthetic shares for tax purposes will be performed. Subsequently, the employee can settle in cash or keep the remaining shares as unrestricted.

Synthetic shares					
Name, Title, Synthetic shares owned, as at 31 December 2021		Vested Award 2019	Award 2020	Award 2021	Unrestricted
Bjørn Dale Managing Director 73 992 Shares	Number of shares	0	73,992	0	0
	Value at vesting (TUSD)	0			
Chris Spencer Chief Operating Officer 586 813 Shares	Number of shares	32,339	478,752	0	108,061
	Value at vesting (TUSD)	29			
Haakon Sandborg Chief Financial Officer 205 547 Shares	Number of shares	24,255	59,193	146,354	0
	Value at vesting (TUSD)	22			
Nicholas Whiteley Chief Commercial Officer 41 513 Shares	Number of shares	24,255	39,461	0	2,052
	Value at vesting (TUSD)	22			
Tom Allan General Manager Kurdistan Region of Iraq 456 618 Shares	Number of shares	105,007	349,470	0	107,148
	Value at vesting (TUSD)	150			
Ørjan Gjerde General Manager DNO North Sea 0 Shares	Number of shares	17,305	0	0	0
	Value at vesting (TUSD)	16			
Geir Arne Skau Human Resources Director 59 597 Shares	Number of shares	0	59,597	0	0
	Value at vesting (TUSD)	0			
Tonje Pareli Gormley General Counsel - Middle East 98 974 Shares	Number of shares	74,785	98,974	0	0
	Value at vesting (TUSD)	98			
Ute Quinn Group General Counsel 59 193 Shares	Number of shares	135,506	59,193	0	0
	Value at vesting (TUSD)	181			
Aernout van der Gaag Finance Director North Sea and Group Planning 91 185 Shares	Number of shares	22,907	18,634	0	72,551
	Value at vesting (TUSD)	21			
1 673 432 Shares			1,237,266	146,354	289,812
Award date			20-02-2020/ 09-02-2020	20-05-2021	

Other terms and benefits: The Managing Director and other members of Senior Management, i.e., Bjørn Dale, Chris Spencer, Haakon Sandborg, Nicholas Whiteley, Ute Quinn and Aernout van der Gaag have severance payment agreements ranging from six months to 12 months of their respective annual base salaries.

Other types of non-monetary benefits include newspaper, mobile phone and broadband communication subscriptions.

Remuneration of Senior Management in 2021 and 2020:

Remuneration to Managing Director and Senior Management (USD thousand)		Fixed remuneration			Variable remuneration		Total	Proportion variable remuneration
Name, Title,	Year	Base Salary	Other benefits	Pension expense	One-year variable bonus	Synthetic shares		
Bjørn Dale, Managing Director	2021	689	69	21	76	-	854	9%
	2020	630	69	18	37	162	916	22%
Chris Spencer, Chief Operating Officer	2021	577	53	21	66	29	746	13%
	2020	475	48	18	56	99	696	22%
Haakon Sandborg, Chief Financial Officer	2021	461	38	21	50	22	592	12%
	2020	422	38	18	33	123	634	25%
Nicholas Whiteley, Chief Commercial Officer	2021	457	90	21	50	22	641	11%
	2020	420	85	18	16	140	680	23%
Tom Allan, General Manager Kurdistan Region of Iraq	2021	584	283	-	68	150	1,086	20%
	2020	529	357	-	-	-	886	0%
Ørjan Gjerde, General Manager DNO North Sea	2021	439	37	21	49	16	562	11%
	2020	413	26	18	-	40	497	8%
Geir Arne Skau, Human Resources Director	2021	346	24	21	38	-	430	9%
	2020	297	25	18	25	39	405	16%
Tonje Pareli Gormley, General Counsel - Middle East	2021	375	29	21	41	98	564	25%
	2020	335	31	18	41	35	461	17%
Ute Quinn, Group General Counsel	2021	459	39	21	50	181	751	31%
	2020	420	38	18	33	13	522	9%
Aernout van der Gaag, Finance Director North Sea and Group Planning	2021	433	67	21	48	21	590	12%
	2020	397	67	18	15	178	676	29%
Sum	2021	4,821	729	189	536	539	6,815	16%
	2020	4,338	784	166	256	829	6,373	17%

Synthetic shares in the table above are shares vested, please see separate paragraph above for further information on the synthetic share scheme. Other benefits include the pension share which exceeds the maximum legally allowable pension contribution. In addition, Nicholas Whiteley and Aernout van der Gaag have residence costs reported as other benefits.

Comparative information on the change of remuneration and Company performance:

The below table shows comparative information on the change of remuneration for Senior Management over the five most recent financial years compared to selected Company performance measures and average remuneration for employees in the Company.

Increase/ - decrease in total remuneration received from previous year (USD thousand and percentage)										
Name, Title,	2017		2018		2019		2020		2021	
	Δ	Δ%	Δ	Δ%	Δ	Δ%	Δ	Δ%	Δ	Δ%
Bjørn Dale, Managing Director ⁽¹⁾	201	35%	440	57%	-237	-20%	-61	-6%	-62	-7%
Chris Spencer, Chief Operating Officer ⁽²⁾	-	-	304	110%	29	5%	86	14%	50	7%
Haakon Sandborg, Chief Financial Officer ⁽³⁾	61	16%	204	48%	-76	-12%	76	14%	-41	-7%
Nicholas Whiteley, Chief Commercial Officer ⁽⁴⁾	150	37%	153	27%	61	9%	-94	-12%	-39	-6%
Tom Allan, General Manager Kurdistan Region of Iraq ⁽⁵⁾	-	-	-	-	-	-	634	252%	201	23%
Ørjan Gjerde, General Manager DNO North Sea ⁽⁶⁾	-	-	-	-	-	-	83	20%	65	13%
Geir Arne Skau, Director Human Resources & Corporate Services ⁽⁷⁾	-	-	-	-	-	-	191	89%	25	6%
Tonje Pareli Gormley, General Counsel - Middle East ⁽⁸⁾	-	-	-	-	-	-	86	23%	103	22%
Ute Quinn, Group General Counsel ⁽⁹⁾	-	-	537	201%	-256	-32%	-26	-5%	228	44%
Aernout van der Gaag, Finance Director North Sea and Group Planning ⁽¹⁰⁾	-	-	-	-	30	6%	162	32%	-86	-13%
Other ⁽¹¹⁾	104	7%	-708	-58%	534	124%	447	1176%	-	0%
Company performance										
Total revenues (USD million)	146	72%	482	139%	142	17%	-357	-37%	389.2	63%
EBITDA (USD million)	640	671%	-97	-13%	-89	-14%	-227	-41%	284.1	88%
Net production (kboepd)	10	15%	16	22%	24	27%	-10	-9%	-5.6	-6%
Average remuneration on a full-time equivalent basis of employees (USD thousand and percentage)										
	Δ	Δ%	Δ	Δ%	Δ	Δ%	Δ	Δ%	Δ	Δ%
Employees of DNO ASA (excl. Senior Management)	12	22%	10	15%	-11	-14%	-16	-25%	13	26%

General note: The remuneration for all members of Senior Management is nominated in NOK, except for Tom Allan which has remuneration in USD. The remuneration in NOK has been converted to USD using the yearly average USD/NOK for the relevant year.

(1) (3) Increase from 2016 to 2017 mainly due to 2016 bonus paid in 2017. Increase from 2017 to 2018 mainly due to 2017 bonus paid in 2018.

(2) Start date May 2017, promoted to Chief Commercial Officer from July 2020.

(4) Increase from 2016 to 2017 mainly due to 2016 bonus paid in 2017 and vesting of synthetic shares in 2017. Increase from 2017 to 2018 mainly due to 2017 bonus paid in 2018.

(5) Start date September 2019. Increase from 2020 to 2021 mainly due to 2020 bonus paid in 2021 and vesting of synthetic shares in 2021.

(6) Start date May 2019.

(7) Start date May 2019.

(8) Salary increase in 2020. Increase from 2020 to 2021 mainly due to vesting of synthetic shares.

(9) Start date September 2017, sign on fee (synthetic shares) vested in 2018. Increase from 2020 to 2021 mainly due to vesting of synthetic shares in 2021.

(10) Increase from 2019 to 2020 mainly due to vesting of synthetic shares in 2020.

(11) The decrease in 2018 is primarily explained by a reduction in the salary expense to Jeroen Regtien (Chief Operating Officer) which left the Company in February 2018 (compared to a full year in 2017). The increase in 2019 is due to John Sargeant (Managing Director DNO Technical Services AS) which vested shares. Increase in 2020 is due to Rune Martinsen (General Manager DNO North Sea) which joined in December 2019 and left April 2020.

5. Use of the right to reclaim remuneration

The Company may demand variable cash salary refunded to the same extent it may demand fixed cash salary refunded following expiry of the employment, typically in the event of erroneous payments or breach of contractual obligations. No remuneration has been reclaimed.