



## DNO ASA

### GUIDELINES ON THE REMUNERATION OF LEADING PERSONNEL

#### 1. INTRODUCTION

These guidelines have been prepared in accordance with section 6-16a of the Norwegian Public Limited Liability Companies Act (the “Companies Act”) by the Board of Directors (the “Board”) of DNO ASA (“DNO”).

The guidelines outline the main principles for salary and other remuneration of leading personnel in DNO. DNO's leading personnel includes the persons covered by section 6-16a of the Companies Act and section 7-31b of the Norwegian Accounting Act, i.e., (i) the directors of the Board (including the Board committees), (ii) the members of the Nomination Committee, (iii) DNO's managing director (the “Managing Director”) and (iv) other members of DNO's senior management as defined on DNO's web pages (together with the Managing Director, the “Senior Management”).

Section 5-6 (3) of the Companies Act provides that the guidelines shall be approved by the general meeting. The general meeting shall also approve any material amendment to previously approved guidelines and the guidelines shall in any event be presented to the general meeting for approval at least every fourth year.

Once approved by the general meeting the guidelines on remuneration are applicable to new remuneration agreements and to amendments to remuneration previously agreed.

Approved guidelines will be made available on DNO's web page: [www.dno.no](http://www.dno.no).

These guidelines were approved by DNO's Annual General Meeting of 25 May 2022.

#### 2. PURPOSE AND KEY CONSIDERATIONS

These guidelines have been prepared with the aim of contributing to the implementation of DNO's overall business strategy in order to achieve DNO's long-term objectives and maximize value creation for the company and its shareholders by attracting, retaining and motivating highly qualified employees.

Salary and other remuneration of leading personnel shall be on competitive terms reflecting market conditions and taking into account the respective individual's duties and responsibilities.

The Board has considered actual and potential conflicts of interest in preparing and maintaining these guidelines. No such conflicts of interest were identified. In case of future actual or potential conflicts of interest, the Board will consider reasonable mitigating measures.

The Board has established a Remuneration Committee as an advisory and preparatory body for the Board in matters concerning remuneration. The Remuneration Committee will evaluate these guidelines on a regular basis and present proposals to the Board for amendments as and when appropriate.

#### 3. REMUNERATION OF THE BOARD AND OF THE NOMINATION COMMITTEE

##### 3.1 Process

The general meeting approves the remuneration of the directors of the Board (including the Board committees) and of the members of the Nomination Committee. The remuneration will normally be approved on an annual basis by the annual general meeting.

The general meeting considers remuneration proposals presented by the Nomination Committee. The Nomination Committee is elected by the general meeting and the committee's work is governed by the Company's Articles of Association and by guidelines approved by the general meeting.

The Nomination Committee's proposals will be included in the notice of the annual general meeting or such other general meeting where the remuneration of the Board and of the Nomination Committee shall be considered.



### **3.2 Types of remuneration**

The remuneration of the directors of the Board and of the members of the Nomination Committee shall consist of a fixed annual amount or a fixed amount per meeting. Directors of the Board who also serve on the Board committees may receive additional compensation for such work. The remuneration will be payable in cash.

DNO may reimburse travel expenses and other relevant expenses incurred by the directors of the Board and by the members of the Nomination Committee in connection with the performance of their duties.

Directors of the Board and the members of the Nomination Committee shall not receive any variable or performance-based remuneration, or stock options or other remuneration linked to DNO's shares for their work in such capacities.

Directors of the Board and the members of the Nomination Committee are not members of DNO's pension schemes and do not have any rights to pension from DNO for their work in such capacities.

### **3.3 Agreements with directors of the Board and termination of appointment**

DNO does not normally enter into agreements with the directors of the Board in their capacity as directors or in connection therewith.

According to section 6-7(2) of the Companies Act, the general meeting can remove any director of the Board at its discretion at any time with immediate effect by a simple majority vote. Directors of the Board are not entitled to any compensation upon termination of their appointment as directors.

## **4. REMUNERATION OF SENIOR MANAGEMENT**

### **4.1 Remuneration Committee**

According to its mandate, the Remuneration Committee shall *inter alia* conduct an annual performance review and recommend proposals for remuneration of the Managing Director, including base salary adjustments, incentive plans and/or other benefits. Such proposals shall be brought before the Board for its collective consideration.

The Remuneration Committee shall also advise on the Managing Director's proposal for compensation of the other members of Senior Management and the framework for the yearly compensation to employees.

### **4.2 Process and types of remuneration**

After consulting with the Remuneration Committee, the Managing Director determines the remuneration of the other members of Senior Management based on these guidelines and any budgetary limits or other relevant decisions of the Board.

The remuneration of Senior Management may consist of the following components:

- (i) fixed cash remuneration;
- (ii) variable cash remuneration;
- (iii) synthetic shares as set out in section 4.5 below or other share-based incentives; and
- (iv) pension benefits and other customary benefits and programs.

### **4.3 Fixed cash remuneration**

Senior Management's fixed cash remuneration shall be reviewed annually.

Senior Management's fixed cash remuneration shall be based on the individual's experience, responsibilities and performance and shall be on competitive terms, in line with market conditions and otherwise in accordance with these guidelines.

### **4.4 Variable cash remuneration**

DNO's variable remuneration is an incentive-based annual cash bonus program that shall reflect the Company's business strategy, long-term interests and sustainable business practices.



The annual bonuses shall be based on the fulfilment of key performance indicators (“KPIs”), both at the company level through established corporate targets and on an individual level within the individual’s area of responsibility. The KPIs may consist of both general financial goals and individual goals for each member of Senior Management. The KPIs may include financial, operational, strategic, functional, initiative-based, social, corporate, environmental or other targets, goals, criteria and objectives aligned with DNO’s strategy and interests.

The KPIs for the Managing Director shall be determined by the Board based on a recommendation from the Remuneration Committee. The KPIs for the other members of Senior Management shall be established by the Managing Director after consulting with the Remuneration Committee. The target bonus level for the respective members of Senior Management may be detailed in their employment contracts.

Achievement of the KPIs and the level of the potential annual bonus is evaluated after the end of each financial year and any bonus is paid as an annual remuneration. The Managing Director’s level of achievement and the potential bonus payable to the Managing Director is determined by the Board after recommendation from the Remuneration Committee. The level of achievement for the other members of Senior Management and the individual bonuses shall be determined by the Managing Director after consulting with the Remuneration Committee.

Any payment of variable cash remuneration is conditional on the individual member of Senior Management being employed at the time of payment. If a member of Senior Management retires during the period, a bonus may be paid subject to individual agreement.

The incentive-based annual cash bonus program is subject to an overall cap and may not exceed the individual’s fixed annual cash salary.

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.

#### **4.5 Synthetic share scheme**

DNO has established a synthetic share scheme (the “Synthetic Share Scheme”). 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.

A participant under the Synthetic Share Scheme will receive synthetic shares that entitle its holder to receive the market value of the equivalent number of shares in DNO. The synthetic shares do not confer shareholder rights on its holders and cannot be transferred or settled in any other way than as described under the award agreement.

Eligible participants in the Synthetic Share Scheme are employees of DNO or DNO’s subsidiaries.

Awards of synthetic shares to members of Senior Management are based on established KPIs, see section 4.4 above.

The award of synthetic shares shall be subject to an award agreement stipulating relevant terms, conditions and limitations.

The synthetic shares are subject to a vesting period as set out in the award agreement and will normally expire three years following the vesting date.

The synthetic shares will be settled at the closing price of DNO shares on the Oslo Stock Exchange on the last Norwegian business day in the relevant settlement period. Payment takes place through payroll.

Awards under the Synthetic Share Scheme is subject to an overall cap and may not normally exceed the individual’s fixed annual cash salary.



#### **4.6 Pension schemes and other customary benefits**

The remuneration of Senior Management includes pension and insurance. DNO has a defined contribution scheme which meets the Norwegian legal requirements for mandatory occupational pensions. Senior Management's pension benefits shall be based on competitive terms in line with market conditions.

The remuneration of Senior Management may include customary benefits in kind such as mobile phone, broadband costs and newspaper subscriptions paid in accordance with established rates. Any other customary benefits may be subject to change.

#### **4.7 Remuneration in extraordinary circumstances**

In extraordinary circumstances, members of Senior Management may be granted additional remuneration and/or remuneration of a different character than set out above. Such extraordinary remuneration may be awarded discretionarily on an ad-hoc basis if considered necessary or desirable in light of specific circumstances including sign-on bonus, compensation for a temporary change in assignment and retention of critical personnel in special situations and bonus for specific performance achievements.

Total extraordinary remuneration may not exceed the recipient's annual fixed salary.

#### **4.8 Termination of employment**

DNO's employment contracts with Senior Management are of an indefinite duration. However, employment contracts may be entered into on a fixed-term basis if warranted, such as for interim positions.

Upon termination of employment, DNO's standard period of notice is between six to 12 months for members of Senior Management.

Members of Senior Management shall receive the current fixed cash salary during the notice period. Any agreed severance pay may not exceed an amount equivalent to 24 months of fixed salary in addition to the period of notice.

### **5. DEROGATION FROM THE GUIDELINES**

The Board may on recommendation from the Remuneration Committee, in the circumstances described below, resolve to deviate from any section of these guidelines:

- (i) upon change of the Managing Director;
- (ii) upon material changes in Company's organization, ownership and/or business;
- (iii) upon material change in the Company's strategy;
- (iv) upon changes in or amendments to relevant laws, rules or regulations; and
- (v) upon other exceptional circumstances where the deviation may be required to serve the long-term interests and sustainability of the Company.

Any deviation from these guidelines shall be reported in the remuneration report for the relevant year.