

## Statement on remuneration (for Kongsberg Automotive's Executive Committee)

Pursuant to the Norwegian Public Limited Liability Companies Act, section 6-16 a, the Board will present the following statement regarding remuneration of Kongsberg Automotive's Executive Committee to the 2016 Annual General Meeting.

The group should have Executives who are able at all times to secure shareholders' and other stakeholders' interests in the best possible manner. One element to achieve this is to offer each leader a competitive compensation package.

### REMUNERATION GOVERNANCE

The Board has appointed a Compensation Committee that is headed by the Chairwoman of the Board. The Compensation Committee monitors decisions on matters regarding remuneration and terms for executives.

The CEO's remuneration package, and any adjustments thereof, are first reviewed by the Compensation Committee and then approved by the Board. The Board of Directors considers annually the compensation of the CEO. The remuneration packages for the other executives, including adjustments of these, are agreed between the CEO and the respective manager.

### PRINCIPLES FOR BASE SALARY

The fixed salary should reflect the individual's area of responsibility and performance over time. Kongsberg Automotive offers base salary levels which are competitive, but not market leading in the market in which we operate. Salaries are regularly benchmarked versus salary statistics provided by a global 3<sup>rd</sup> party human resource and related financial services consulting firm.

### VARIABLE COMPENSATION AND INCENTIVE SCHEMES

*Kongsberg Automotive's short term incentive (STI):*

The Annual Bonus Scheme (ABS) is a short term incentive with a timeframe of one year. The ABS is a worldwide incentive program designed to motivate, recognize and reward eligible employees for the contributions they make towards meeting KA's financial and business targets, as well as personal targets. The objectives of the program are to (i) clearly communicate to KA employees both KA's targets and employees' individual targets, (ii) communicate to KA employees how bonus payment is linked to KA performance and individual performance, (iii) drive the KA organization's ability to meet or exceed KA's performance targets, and (iv) improve KA's ability to attract, retain and motivate employees.

Executives receive variable salaries based on Return on capital employed (ROCE) (weighted 70%), year over year revenue growth (weighted 10%), business wins (weighted 10%) and business performance (10%). Business performance is business targets for a unit, or as an individual. The business targets may reflect defined KPIs related to QA, HSE, CSR, financial performance, and so on. ROCE, year over year revenue growth, and business wins are measured at both Group and Business Area (BA) level.

Target bonus for the CEO is 50% of gross base salary. Max bonus is 77% of gross base salary. Average bonus last five years for the CEO is 30% of gross base salary.

## Statement on remuneration (for Kongsberg Automotive's Executive Committee)

The performance goals for the CEO and Group are proposed by the Chairwoman of the Board and approved by the Board. Goals for the other senior executives are determined by the CEO and reviewed by the Compensation Committee.

### *Kongsberg Automotive's long term incentive (LTI):*

The Board of Directors has established share option programmes for leading employees that have been approved by shareholders in the Annual General Meeting. It is the company's judgement that it is positive for long-term value creation in the group that leading employees hold shares and share options in Kongsberg Automotive.

The intention of this plan is to (i) attract and retain employees whose service is important to the Company's success, (ii) motivate such employees to achieve long-term goals of the Company, (iii) provide incentive compensation opportunities to such employees which are competitive with those of other companies, and (iv) encourage such employees to own common shares of the Parent Company and thereby share a common financial interest with the other shareholders of the Company.

The Board of Directors can offer share options to leading employees when shareholders have given authority to run options programmes:

- The exercise price of the options shall be the average trading price of the KOA share the first 10 days after presentation of the 4th quarter results.
- Options granted can be exercised at the earliest after 3 years. The exercise period shall typically be 4 years.
- Minimum profit per share option to be eligible to exercise an option is NOK 1.
- Any calendar year, each optionee's aggregated gross profit from exercise of options under all share option programs shall not exceed 3 years gross base salary.
- To be granted options and to maintain options, the employee must at any time hold a number of KOA shares at least equivalent to 10% of the number of options.
- Principally, if an employee leaves the company, outstanding options which were not exercisable on the date of termination of employment will be forfeited.

### **PRINCIPLES FOR BENEFITS**

In addition to fixed and variable salary, other benefits such as health insurance, newspaper, internet and telephone might be provided. The total value of these benefits should be modest and only account for a limited part of the total remuneration package.

Principles for company car and car allowance shall be allowed to vary in accordance with local conditions.

### *Pension:*

Executives participate in the same pension plans as other employees within the unit in which they are employed.

Employees in the Norwegian entity participate in a defined contribution pension plan. The annual accrual is 4% of the annual base salary from 1-6 G, 8% from 6-12 G and 18% from 12-24 G (G is the base amount of Norwegian Social Security). The Top Hat (12-24 G) is non-secured and unfunded.

## Statement on remuneration (for Kongsberg Automotive's Executive Committee)

The CEO has a retirement agreement.

### SEVERANCE PAY

Name	Agreed period of notice	Severance pay, months base salary	Retirement agreement
Hans Peter Havdal	6 months	6 months. The employee is not entitled to redundancy payment in the event he himself terminates the employment.	Optional retirement at age 62. 60% of base salary (limit). Valid between ages 62-67. Pursuant to the employee holding a position in KA at attaining the age of 62.

At the year-end no other Executives had any agreement for redundancy payment. The notice period for the rest of the management is 6 months.