

28 Statement on the remuneration of the Group CEO and Executive Management

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The Board proposes that the following guidelines be applied for 2015 and until the Annual General Meeting in 2016.

Main principles of the company's remuneration policy for the Group CEO and Executive Management

The principles and systems for remuneration of executive management are adopted by the Board. Each year, the Board of Directors assesses the CEO's remuneration and conditions, as well as the Group's performance-based salary plan for executives. The Board's Compensation Committee prepares the cases on the agenda for the Board of Directors. The CEO determines the compensation for the other members of corporate management in consultation with the Chairman of the Board. Management remuneration at Kongsberg Gruppen ASA and Group companies ("KONGSBERG") are based on the following main principles:

- Management remuneration shall be competitive, but not leading, and thus support a general moderation with regards to the development of the management remuneration – the company aspires to attract and retain skilled leaders.
- Management remuneration shall motivate, i.e., be structured to motivate managers to strive to achieve constant improvements in operations and the company's results.
- The remuneration system shall be understandable and acceptable both inside and outside of KONGSBERG.
- The remuneration system shall be flexible and open to adjustments when requirements change.
- The remuneration system shall encourage cooperation.

Compensation to corporate management shall reflect their responsibility for the management, performance and sustainable development of KONGSBERG, and take into account the size and complexity of the business. The arrangements shall otherwise be transparent and in line with the principles for good corporate governance.

Other companies in the Group shall comply with the main principles of the senior executive remuneration policy. One of the goals is to coordinate remuneration policy in the Group and the schemes used for variable benefits.

Effective from 13 February 2015, the Ministry of Trade, Industry and Fisheries stipulated new guidelines for wages and other remuneration for executive employees in enterprises and companies with a government-owned interest. These deviate in important points from corresponding previous guidelines, e.g. for long-term incentive (LTI), but particularly for pensions, where the State does not want earning of pension benefits beyond a wage basis of 12G (pt approx. NOK 1.1 million). However, the new guidelines will not be effective retroactively, i.e., agreements entered into before 13 February 2015 can be continued. Through 2015, the Board will assess how to implement the new guidelines for executive employees starting positions after 13 February 2015.

Elements of management remuneration – fixed salary and variable benefits

The basis for wage setting is the aggregate level of a manager's regular salary and variable benefits. The fixed salary comprises a basic salary plus regular benefits in kind and post-employment benefit plans. As of 2012, the Board decided to introduce LTI as part of the fixed remuneration. Variable benefits consist of

performance-based salary as well as the share program. Regular surveys are made of relevant markets to ensure that overall compensation packages are competitive, but not leading.

Basic salary

The basic salary should normally be the main element of the managers' remuneration. It is generally considered once a year.

Regular benefits in kind

Key management personnel will normally be offered the benefits in kind that are common for comparable positions, e.g., free telephone service, free broadband service, newspapers, company car/car arrangement and parking. No particular limitations have been placed on the type of benefits in kind that can be agreed.

Pension plans

Key management personnel shall normally have pension plans that guarantee pensions proportional to their salary level. Generally, this is satisfied by membership in KONGSBERG's collective main pension plan for salaries of up to 12G.

The Group's collective main pension plan is a defined contribution plan. The contributions are 0 per cent of salaries between 0G and 1G, 5 per cent of salaries from 1G to 6G and 8 per cent of salaries from 6G to 12G. The assets can be invested in one of three savings portfolio options, consisting of 30, 50 or 80 per cent shares, respectively. The plan was introduced on 1 January 2008. Employees aged 52 or older at the time of transition remained in a closed defined benefit pension plan.

Managers with a basic salary in excess of 12G also earn pensions on the component of their salaries that exceeds 12G through an unfunded contribution plan. The contribution is 18 per cent of the basic salary exceeding 12G, and the investment options are the same as for the main pension plan. This plan will be adapted for new executive management to the new guidelines from the Ministry in 2015.

There is an upper limit on maximum pensionable income of NOK 3,056,049. The figure is adjusted for inflation in line with the consumer price index on 1 January of every year. No member of group management is covered by the old plans, and everybody is now part of the company's contribution plan. The CEO has a separate agreement for retirement at the age of 67, which, including the National Insurance Scheme (based on full accrual), and KONGSBERG's mandatory service pension will provide a benefit of NOK 1,496,881 per year from the age of 67 to 77, and then NOK 1,247,401 each year for the rest of his/her life. The amounts are adjusted annually in line with benefits paid from the National Insurance Plan, i.e., to date with general salary increases less 0.75 per cent.

KONGSBERG's scheme with early retirement agreements for executives has not been continued for executives hired after 1 July 2013. These individuals will instead receive an additional contribution of 12 per cent of the basic salary in excess of 12G to the unfunded pension scheme, as long as they are employed, but only until the age of 65 at the latest. This scheme for executive employees will also be adapted to the mentioned guidelines from the Ministry in 2015.

The company has previously made agreements on early retirement for some of its leaders, in line with the State's Ownership Report. The agreements vary, depending when they were made.

The newest allows for a retirement from the age of 65, but with a mutual right for KONGSBERG and the member of group management to demand early retirement from the age of 63. The benefit equals 65 per cent of the annual salary, based on a minimum of 15 years of accrual. If the employee resigns between ages 63 and 65, the pension earnings will be reduced compared with the defined contribution pension that applies from the age of 67. These agreements concern six members of group management. One member of corporate executive management has an older agreement releasing him from the obligation to work from the age of 60. Providing a vested period of at least 10 years, the benefit is 90 per cent of the salary from the age of 60, reduced by 10 per cent per year to 60 per cent of the salary from ages 63 to 67. Similarly, three other executive vice presidents have agreements that allow retirement from the age of 62. With a vested period of at least 15 years, the benefit will be 65 per cent of the salary up to the age of 67. These older plans were terminated in 2006 and 2008, respectively. The CEO has a contract for early retirement with NOK 1,746,361 per year from the age of 65 to 67. The CEO and KONGSBERG can reciprocally call for retirement with severance pay from the age of 63 or 64, based on a compensation of NOK 1,621,621 or NOK 1,683,991 per year, respectively, up to the age of 65. The amounts are adjusted for annually in line with benefits paid from the National Insurance Plan. All figures are applicable at 31.12.14.

Long-term incentive (LTI)

From 2012, the Board implemented, as a part of the fixed remuneration, a long-term incentive in the form of a compensation of 25 per cent and 15–20 per cent of annual basic salary, for the CEO and other members of the corporate management, respectively. The first payment was made in 2013. The reason for this scheme is to ensure competitiveness with comparable companies. A condition for such payments is that KONGSBERG had a positive operating profit (EBIT) in the previous year. Participants in the plan will be obliged to invest the net amount after tax in Kongsberg shares, purchased in the market and held in a period of three years. If participants leave the company on their own initiative, they have to repay an amount equal to equity value after tax on termination date for all shares that do not meet the three-year requirement. The plan will not provide a basis for pension benefits. For those covered by the plan, the annual maximum accrual of salary is reduced from 75 per cent to 60 per cent of the basic salary.

The LTI plan will be subject to an evaluation and will be adapted to the new guidelines from the Ministry of Trade, Industry and Fisheries in 2015.

Performance-based salary

KONGSBERG's top executives and most important decision-makers shall in a direct manner have financial incentives linked to KONGSBERG's development and improvement. For this purpose, the Board adopted in 2006 a performance-based plan that covers approx. 90 managers. The plan is carried forward in 2014. The plan is designed for the purpose that managers who perform well over time will earn an average performance-based salary of 20–30 per cent of their basic salary.

The performance-based salary plan is based on three independent components – change in EBITA, operating EBITA margin achieved (if more than 10 per cent) and personal, non-financial targets. The performance-based plan distinguishes between performance to be credited or charged to a performance salary bank account for the individual participant and paid performance-based salary to be paid from the bank. Earned performance-based salary constitutes 1/3 of the balance in the performance-based bank

account, however maximum 50 per cent of basic salary, and will be paid next year when the annual accounts for the year in question have received final approval from the Board.

Changes in the year's EBITA, adjusted for 10 per cent calculated interest rate on change in capital, is the most significant parameter of the performance-based salary. The measurement is weighted for a manager's own area of responsibility and higher levels. Performance-based salary is positive if the adjusted EBITA shows progress, whereas a decrease in adjusted EBITA can be negative and reduce the balance in the performance-based salary account.

Annual contribution to the account cannot exceed a maximum of 75 per cent of the basic salary. For those covered by the LTI scheme, the maximum is 60 per cent of the basic salary. The balance of the account will not be paid out in the event of a resignation from the Group prior to retirement. The account has an equalising effect over time, encourages a long-term perspective and ensures that the participants have not only an upside, but also a downside.

The performance-based salary provides no basis for pension and is annually assessed by the Compensation Committee and the Board of Directors to make sure that it works as intended and the required adjustments are made. The plan will be continued in 2015, and will be assessed vis-a-vis the new guidelines from the Ministry of Trade, Industry and Fisheries.

Compensation linked to shares or to the development of the share price

Key management personnel have the opportunity to participate fully in KONGSBERG's discounted employee share program on the same terms as all Group employees. KONGSBERG has no arrangement for the allocation of share options or other instruments associated with the company's shares. There are no plans to introduce such arrangements.

Severance package arrangements

In order to satisfy KONGSBERG's continuous need to ensure that the composition of management is in accordance with the requirements of the business segments, agreements regarding severance package arrangements have and can be made. The severance arrangements have been designed in a manner that should be perceived to be acceptable both internally and outside the company. Agreements made from 2011 do not give the right to severance pay that in value exceed salary and benefits for more than 6 months. This scheme will be carried forward in 2015. Before 2011, severance package arrangements gave up to 12 months' severance pay. Such agreements have been signed for the corporate EVPs under the framework of the Working Environment Act. The CEO has an agreement that accommodates KONGSBERG's need to ask the CEO to leave immediately if that is considered to be in KONGSBERG's best interests. Beyond the reciprocal six-month period of notice, the CEO can receive full payment until accepting a new position, if relevant, limited up to 12 months and provided that it is KONGSBERG that asks for the CEO's resignation.

Statement for fiscal year 2014

The executive compensation policy for the fiscal year 2014 has been implemented in accordance with the above-mentioned information and the guidelines discussed at KONGSBERG's Annual General Meeting in 2014.

Following the ordinary wage settlement on 1 July 2014, the CEO's basic salary was adjusted up by 3 per cent to NOK 3,966,000 a year (3.5 per cent in 2013). For the rest of corporate management, the basic salary was adjusted up by an average of 3 per cent in 2014