



## **The Board of Directors Declaration on salaries and other remuneration to the senior executive management**

The Board proposes that the following guidelines be applied for 2017 and until the Annual General Meeting in 2018. The executive remuneration policy for Kitron ASA applies to all units in the group.

### **Kitron group remuneration policy**

The Kitron group general remuneration policy is described in the HR policy and states that salaries are diversified depending on level or responsibility, complexity of tasks, competence, ability and performance. Kitron strives to have fair employment conditions following legal requirements and practice in each country. The remuneration should, together with other employment related conditions make it possible for Kitron to recruit, develop and retain the best possible employees supporting the growth and development of the Kitron group. The policy naturally also forms the basis for salary and benefit levels among senior executives in Kitron.

### **Executive remuneration**

The current compensation and benefit system for senior executives in Kitron is divided in several parts. These parts together are competitive and based on market conditions. The total remunerations consist of fixed annual compensation that includes annual base salary and other benefits (such as pension plan and company car). The total compensation also includes a short term incentive scheme (STI) and a long term incentive scheme (LTI).

Performance-related remuneration of the executive personnel in the form of share options, bonus programs or the like are linked to value creation for shareholders or the company's earnings performance over time. Such arrangements, including share option arrangements, incentivise performance and are based on quantifiable factors over which the employee in question can influence. Performance related remuneration is subject to an absolute limit.

### **1. Principles that guide the Board of Directors**

#### **Fixed compensation**

The actual level of annual base salaries (ABS) is based on market conditions and salary levels related to the actual position in the country in question. Kitron uses the Hay tool for determining market levels on an annual basis. The executive positions are evaluated using the Hay positioning grading tool.

Pension plans, based on defined contribution plans, are in place following the practice and regulations in each country. The CEO and members of the Corporate Management Team are members of Kitron's general pension contribution scheme that applies to all Kitron employees. Some of the members in the Corporate Management Team receive an additional pension contribution. As of 2016 the Norwegian based members of the Corporate Management Team (except the CEO) have received an additional pension contribution corresponding to 20 per cent of the base salary between 12G and 24G. The CEO receives an additional yearly pension contribution of the NOK equivalent of SEK 1 200 000.

The company may at any time terminate the CEO employment without further jurisdiction. In such case severance pay constitutes a gross lump sum corresponding to 9 monthly base salaries at the time of termination.

The Board may grant specific purpose bonuses to members of the senior executive management.

Other benefits are according to company policy and regulations in country of residence.

#### **Short term incentive scheme**

The STI system has specific targets and defined maximum pay-outs and is set on annual basis. The possible maximum pay-out for 2016 is 65 per cent of annual basic salary.



### **Regular salary reviews**

Annual salary reviews are performed in accordance with the employment contract and with reference to the Hay market review as well as to the Kitron group financial performance.

See note 27 in the annual financial statements for additional information about pay and other remuneration of senior executives in 2016.

## **2. Principles that are binding on the Board of Directors**

### **Long-term incentive scheme**

In 2015 the Board introduced a new share option program for executive management comprising up to 5 500 000 shares running for three years from the start of the second calendar quarter 2016.

The share option program entails that executive management, on certain terms, may be granted a right to subscribe for shares in Kitron at NOK 0.10 per share after a vesting period of three years.

The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange. Per 31 December 2016, 4 250 000 options have been allocated to executive management, whereof 4 150 000 options are granted. The share option program is described in more detail in note 18 in the Annual Financial Statements.