

## **Zalaris executive remuneration policy as of 2015 0415**

In accordance with the Public Limited Companies Act § 6-16a, the Board of Directors has prepared the following declaration on guidelines and main principles for the stipulation of salaries and other remuneration for the CEO and other senior management. The declaration was approved by the board of directors on 22<sup>nd</sup> of April 2015 and will be presented to the Annual General Meeting of Zalaris ASA on 18<sup>th</sup> of May 2015 for an advisory vote.

### **1 Main principles for Zalaris' remuneration policy**

The Group's development is closely linked to its ability to recruit and retain senior executives. Executives are remunerated at market terms. Remuneration varies over time both in level and methodology.

In addition to salary, the Group uses performance-related and personal bonus that typically vary from 10% to 30% of annual salary, lump-sum payments, leave arrangements, education opportunities and option agreements.

The Group has collective pension schemes.

The Board represented by the remuneration committee shall conduct an annual evaluation of the agreement terms with the Group CEO. Remuneration to other members of the Group executive management is evaluated and settled by the CEO. Remuneration is reviewed annually, but is assessed over several years in order to keep continuity.

The decision-making process for implementing or changing remuneration policies and concepts for the executive management is in accordance with the Norwegian Public Limited Liability Companies Act sections 5-6 and 6-16 a and the instructions of the board of directors of Zalaris adopted on 5<sup>th</sup> of May 2014.

## **2 Principles of remuneration to executive management**

### **2.1 Base salary**

Management salaries shall be competitive and reflect local market conditions as Zalaris wants to attract and retain attractive leaders.

The basic salary shall normally be the main element of managers' salaries and thus differentiate on the basis of the scope of work, responsibility and performance.

A limitation of the total salary level to management has not been defined. However significant and structural changes shall be approved by the remuneration committee.

Management positions are not paid overtime as compensation for overtime is included in the fixed salary.



## 2.2 Bonus program

The bonus program in Zalaris has been designed to motivate managers to strive for continuous improvement of the business and its results and to align with the interest of shareholders.

The bonus scheme for management positions is based on reaching two main categories of targets:

- 1) Reaching overall company EBIT % target and;
- 2) Reaching individual goals that have been defined and documented. Typically up to five individual goals are defined with weighting decided in a mutual discussion between the CEO and group management. Typical individual goals include reaching budgeted contribution margin for own business units, meeting customer satisfaction targets, improving employee satisfaction etc. Goals are defined and followed up in Zalaris' SuccessFactors solution.

Executive management stock option program and ownership of Zalaris shares

## 2.3 Share ownership

Zalaris encourage employees to own shares in Zalaris. The company shall aim at offering annual share purchase programs that will offer employees and management to purchase discounted shares within the limits of the tax free limits.

## 2.4 Options

As of 31.12.2014 Zalaris has no ongoing stock option program for management.

In 2015 Zalaris will seek to establish a stock option program for executive management and key employees with key parameters as follows:

Strike price:	Value of shares at day of issuing the program with 1% added monthly until strike
Vesting:	60% after 36 months and 100% after 60 months
Eligibility:	Executive management and Key employees employed by Zalaris minimum 12 months

## 2.5 Severance schemes

The Group has limited use of severance payments. However, it does not preclude the use of this if it seems appropriate. No current agreements include allowance for more than six months base salary. Any use of severance payments is restricted and requires approval.

## 2.6 Fringe benefits

Managers will receive benefits that are common for similar positions. Normal benefits include mobile phone and broadband. Zalaris actively work to avoid benefits that have a residual cost in the event an employee leaves – as company cars.



There are no particular limitations on the type benefits that can be agreed. However, Zalaris seek to limit the number of benefits to simplify our internal processes and visualize total compensation through the fixed salary.

## **2.7 Pensions**

Pension for executive management employed in the Norwegian entities

The Group is required to have an occupational pension scheme in accordance with the Norwegian law on mandatory occupational pension ("lov om obligatorisk tjenestepensjon"). The Group's pension schemes satisfy the requirements of this law, and represent a defined contribution plan, with disability coverage.

Pension for executive management employed in entities outside Norway

Pension levels and arrangements for managers outside must be seen in the context of the individual's total wage and employment conditions, and shall be comparable to the total compensation package offered executive management in Norway. Local rules related to pension legislation, social security rights, tax etc. is taken into account when deciding the individual pension schemes.

## **3 Procedures for determination of remuneration to executive management**

### **3.1 Remuneration to the CEO**

Remuneration to the CEO is determined annually by the Remuneration Committee authorized by the board.

The CEO does not currently participate in a stock option program.

### **3.2 Remuneration to the Group executive management**

Remuneration to the individual members of the executive management group is determined by the CEO.

Prior to settlement, the CEO shall discuss proposed changes with the Remuneration Committee.

The Board will be informed about agreed changes in remuneration.

Arrangements that include allocation of shares, options and other forms of remuneration linked to The Groups shares shall be approved by the General Assembly. Within the framework of resolution set by the General Assembly, the Board shall decide on the process of implementing the new remuneration scheme. The Board may also delegate such authority to the CEO.

The increase in the base salaries to the Group executive management is expected to be moderate.

### **3.3 Remuneration to the Board of Directors**

Remuneration to the Board of Directors is not performance based.

Board members are not part of a stock option program in Zalaris.



Remuneration of the Board for the coming year is determined by the General Assembly, based on a proposal from the Nominating Committee.

### **3.4 Remuneration to executive management in subsidiaries of Zalaris ASA**

All subsidiaries of Zalaris ASA shall follow the main principles of the Groups executive remuneration policy for executive management in each company as described in the preceding sections of this Executive remuneration policy.

The increase in the base salaries to executive management in subsidiaries is expected to be moderate.

## **4 Principles of disclosing remuneration information**

The board's statement regarding remuneration including information about remuneration paid to members of the executive management shall be presented in Zalaris' consolidated financial statements, note 19.

## **5 Execution of remuneration Policy**

### **5.1 Execution of remuneration Policy in 2014**

The company's remuneration of the CEO and senior management is conducted in accordance with the guidelines presented above. There are no significant new agreements or changes in remuneration agreements that have been signed in 2014.

### **5.2 Binding guidelines for remuneration in 2015**

For 2015, the Board of Director's propose to continue the existing remuneration policy and to establish a stock option program for executive management and key employees as described in section 2.2 above.