

**REMUNERATION REPORT 2023**

for

**PHILLY SHIPYARD ASA**

## REMUNERATION OF EXECUTIVE MANAGEMENT OF PHILLY SHIPYARD ASA

Advisory vote by the general meeting on 15 April 2024

In accordance with the Norwegian Public Limited Liability Companies Act (the “Act”) § 6-16 b, the board of directors of Philly Shipyard ASA (the “Company”) has prepared a report on the salary and other remuneration of the CEO and CFO of the Company awarded or earned in 2023.

This report regards remuneration of the following members of executive management in 2023:

- Chief Executive Officer (CEO) - position currently held by Steinar Nerbøvik
- Chief Financial Officer (CFO) - position currently held by Jeffrey Theisen

(Hereinafter collectively referred to as the “Executive Management” or separately as each “Executive”.)

The Remuneration Report includes the persons that the Board of Directors of Philly Shipyard ASA has interpreted as executive management based on the existing regulation. The Board is aware that there is a legislative proposal to include board members in the Remuneration Report. This change will be incorporated in the 2024 Remuneration Report if the proposal is adopted.

The remuneration report will be presented to the Annual General Meeting on 15 April 2024 for advisory vote.

### 1. Introduction, scope and purpose

This remuneration report 2023 provides an overview of remuneration of the Executive Management of the Company in 2023 in relation to the Company’s Remuneration Policy adopted by the general meeting on 19 April 2023.

The Company’s Remuneration Policy is designed to align with the Company’s overall business strategy, long-term interests and financial sustainability. The Company is dependent on being able to offer remuneration which can attract and retain high-quality persons for the Executive Management. With an international employee base, the remuneration package needs to be competitive both within the local and international labor market.

The purpose of the Remuneration Policy is to set out remuneration components for the Executive Management structured to provide strong alignment between the interests of executives and shareholders, including a focus on delivering the Company’s key strategic objectives, and to support the business strategy and long-term interests. The total remuneration of the Executive Management is therefore constructed as a combination of fixed salary and variable compensation.

A competitive fixed salary shall be paid in order to attract and retain high-quality and experienced executives and to provide appropriate remuneration for their important role in the Company. This is required to support the recruitment and retention of executives of the caliber required to implement the Company’s strategy. The variable compensation is designed to achieve good financial results and increase shareholder value while retaining key employees.

Further information on remuneration can be found in the Annual Report 2023 on pages 54-56. The Annual Report 2023 is available at the Company’s website: [www.phillyshipyard.com](http://www.phillyshipyard.com).

Except as provided below, the remuneration of Executive Management in 2023 was in accordance with the Company’s approved Remuneration Policy.

Certain adjustments have been made in presenting prior years' figures herein to conform with the current year's presentation.

## 2. Overview of financial year 2023

### 2.1 Highlights of 2023

- Key events for the Company in 2023 that affect the remuneration of the Executive Management through the 2023 AVP program consist of the attainment of productivity improvement goals (i.e., beating the pre-defined target for improved productivity from NSMV I to NSMV II).
- There have been no changes to the composition of the Executive Management in 2023 compared to 2022.
- The Company's Remuneration Policy was last adopted by the general meeting on 19 April 2023. It was prepared by the board of directors of the Company based on the principles set out in the remuneration policy approved by the annual general meeting in 2021, but with certain changes to facilitate remuneration in the form of shares in the Company.
- Except as described below, there have been no derogations from the Remuneration Policy during 2023.

### 2.2 General overview of results and developments

#### Financial results

- Order backlog of USD 1,719.1 million on 31 December 2023 with last delivery in 2027
- 2023 operating revenues and other income of USD 441.8 million
- 2023 EBITDA of negative USD 63.9 million
- 2023 net loss of USD 67.9 million
- Total assets of USD 294.5 million at 31 December 2023
- Total cash and cash equivalents of USD 79.5 million at 31 December 2023, excluding USD 44.2 million of restricted cash
- Total equity of USD 5.9 million at 31 December 2023

#### Key developments, events, milestones, focus areas, commitments, investments etc.

- A new four-year collective bargaining agreement was ratified by the Philadelphia Metal Trades Council (PMTTC), which represents nine unions at the shipyard. The new labor contract will extend until 31 January, 2027.
- NSMV I, *Empire State*, was delivered to MARAD in September, marking the first government ship built using the Vessel Construction Manager (VCM) model. NSMV 1 was delivered within one month of the contract delivery date, as extended for excusable delay.
- Philly Shipyard continued progress on the other NSMVs, including launch of NSMV 2, keel laying of NSMV 3 and full production start and keel laying of NSMV 4
- Philly Shipyard celebrated the steel cutting on the SRIV, marked by a visit from President Biden
- ESG and sustainability highlights during 2023 included: establishing baseline metrics, conducting a human rights risk assessment with suppliers, publishing the first Norwegian Transparency Act statement, issuing a comprehensive Code of Conduct to all employees, establishing a Supplier Code of Conduct, and holding in-person DEI training for all senior leadership, supervisors and managers

### 3. Total remuneration in 2023

Table 3. Remuneration of Management  
(in USD)

Name of Executive	Position	Year	1 Fixed salary	2 Variable remuneration	3 Pension expense	4 Other benefits	5 Total remuneration incl. pension	6 Fixed remuneration	7 Variable remuneration
Steinar Nerbøvik	President & CEO	2023	\$451,952	\$106,094	\$32,000	\$70,772	\$660,818	84%	16%
	President & CEO	2022	\$449,079	\$133,601	\$32,000	\$73,556	\$688,236	83%	17%
Jeffrey Theisen	Chief Financial Officer	2023	\$298,869	\$58,314	\$21,590	\$18,636	\$397,409	85%	15%
	Chief Financial Officer	2022	\$283,250	\$72,229	\$16,166	\$11,768	\$383,413	82%	18%

**Breakdown of Variable Remuneration \***  
(in USD)

	CEO variable remuneration	% of 2023 salary	CFO variable remuneration	% of 2023 salary
2023 AVP program	\$39,294	9%	\$22,200	7%
Deferred from prior year	\$66,800	15%	\$36,114	12%
Variable remuneration	\$106,094	24%	\$58,314	19%

\* Variable remuneration is bonuses earned in 2023 and paid in 2024.

The 2022 and 2023 plans had deferred portions that were/will be earned in 2023 and 2024, respectively. The amounts for the CEO for 2022 and 2023 were \$66,800 and \$19,647 respectively, and the amounts for the CFO for 2022 and 2023 were \$36,114 and \$11,100, respectively.

#### 3.1 Remuneration awarded or earned in 2023

In 2023, the remuneration to Executives consisted of an average of 71% fixed salary and 15% variable remuneration. Pension and other compensation represented an average of 14%. The bonus amount consisted of the deferred amount earned from the 2022 AVP program as well as amounts awarded under the 2023 AVP program.

#### 3.2 Fixed remuneration

The fixed base salaries are based on criteria such as the nature of the position and qualifications, whereas the exact amount is approved annually by the board for the CEO. For the CFO, the exact amount is normally approved annually by the CEO upon advice from the chairperson of the board. The fixed salary is determined during the first quarter of the new fiscal year and valid from 1 January the same year.

The salaries are normally reviewed on an annual basis, taking into consideration the business performance, demonstrated leadership and current salary level relative to market.

In 2023, the fixed salary has been increased 1% and 6% compared to 2022 for the CEO and the CFO, respectively. The CEO's fixed remuneration constitutes 84% of the CEO's total remuneration, and the CFO's fixed remuneration constitutes 85% of the CFO's total remuneration.

#### 3.3 Variable remuneration

The 2023 AVP program is based on achievement of defined annual results such as financial targets, order intake, project targets, development of commercial solutions, alignment with the Company's values and improvement of HSE results. In 2023, the AVP program included two payments, i.e., a base award and a deferred payment. The base award represents a potential for an additional variable pay up to 70% of base salary for the CEO and 60% of base salary for the CFO. The deferred payment, which is designed to incentivize and retain key personnel, is equal to 50% of the base award and is payable between 12-21 months after the base award. Awarded/earned but unpaid variable compensation for the CEO and the CFO as of 31 December 2023 is USD 106,094 and USD 58,314, respectively.

### 3.4 Application of performance criteria

The criteria for the 2023 Annual Variable Pay (AVP) Program are as follows:

Category		Measure	Weight
Team 95%	HSE	Lost time incident rate (LTIR)	5%
		Total recordable incident rate (TRIR)	5%
	Productivity Improvement	% Manhours	10%
	Financial	EBITDA	45%
	Operations	Schedule – NSMV 1	15%
	Operations	Schedule – NSMV 2	15%
Personal 5%	Results & Behavior	Management Team Goals	5%

- Beating the pre-defined annual target for lost time incident rate (LTIR) in 2023. The minimum and maximum awards equal 0% and 5% of the maximum base award, respectively.
- Beating the pre-defined annual target for total recordable incident rate (TRIR) in 2023. The minimum and maximum awards equal 0% and 5% of the maximum base award, respectively.
- Beating the pre-defined target for improved productivity from NSMV I to NSMV II. The minimum and maximum awards equal 0% and 10% of the maximum base award, respectively.
- Beating the pre-defined annual target for Shipbuilding EBITDA. The minimum award is 0% and the maximum award is 45% of the maximum base award, respectively.
- Achieving NSMV 1 delivery by the pre-defined target date. The minimum and maximum awards equal 0% and 15% of the maximum base award, respectively.
- Achieving NSMV 2 delivery by the pre-defined target date. The minimum and maximum awards equal 0% and 15% of the maximum base award, respectively.
- Meeting Management Team Goals. The minimum and maximum awards equal 0% and 5% of the maximum base award, respectively.

The bonus payments are calculated based on the actual performance on these criteria. Payments to the Executives have been approved by the board of directors of the Company. The Executives' earnings from the 2023 AVP had a total value of USD 61,494. The Company had a performance of 10% of the team targets and 2.5% of the personal targets for the performance objectives.

The bonus under the 2023 AVP program has been set to 12.5% of the maximum base award, equivalent to 9% of base salary, for the CEO (USD 39,294) and 12.5% of the maximum base award, equivalent to 7% of base salary, for the CFO (USD 22,200) due to the achievement of the productivity improvement component described above and partial achievement of the management team goals component described above.

The Executive Management did not receive any remuneration from the group outside of the amounts set forth in the table above.

### **3.5 Share based remuneration**

In 2023, the Company did not grant remuneration to the Executive Management in the form of shares, subscription rights, options, and other forms of remuneration linked to shares or the development of the share price in the Company or in other companies within the group.

### **3.6 Use of the right to reclaim remuneration**

No remuneration has been reclaimed in 2023.

## **4. Information about any derogations and deviations from the remuneration policy and procedure for implementation**

Except as provided below, there have been no derogations or deviations from the Remuneration Policy during 2023.

The board of directors of the Company elected not to implement share awards as a third method of remuneration to the Executive Management under the 2023 AVP program.

## 5. Comparative information on the change of remuneration and company performance

Table 5.1 Remuneration of Executive Management  
(in USD)

Name of Executive	Element	Annual change	2018 <sup>(1)</sup>	2019 <sup>(2)</sup>	2020 <sup>(3)</sup>	2021 <sup>(4)</sup>	2022 <sup>(5)</sup>	2023 <sup>(6)</sup>
				2018 vs 2019	2019 vs 2020	2020 vs 2021	2021 vs 2022	2022 vs 2023
Steinar Nerbøvik President & CEO	Base salary		\$435,999	\$435,999	\$452,768	\$435,999	\$449,079	\$451,952
	Variable pay		\$389,129	\$331,905	\$101,560	\$137,340	\$133,601	\$106,094
	Other benefits		<u>\$73,342</u>	<u>\$73,342</u>	<u>\$75,565</u>	<u>\$73,097</u>	<u>\$73,556</u>	<u>\$70,772</u>
	Total payment excl. pension		\$898,470	\$841,246	\$629,893	\$646,436	\$656,236	\$628,818
	Pension		<u>\$32,000</u>	<u>\$32,000</u>	<u>\$33,231</u>	<u>\$32,000</u>	<u>\$32,000</u>	<u>\$32,000</u>
	Total payment incl. pension		\$930,470	\$873,246	\$663,124	\$678,436	\$688,236	\$660,818
	% change in payment incl. pension			-6.2%	-24.1%	2.3%	1.4%	-4.0%
Jeffrey Theisen Chief Financial Officer 6 Sept. 2020 - 31 Dec. 2020	Base salary				\$83,558	\$275,000	\$283,250	\$298,869
	Variable pay				\$20,472	\$70,125	\$72,229	\$58,314
	Other benefits				<u>\$5,023</u>	<u>\$15,723</u>	<u>\$11,768</u>	<u>\$18,636</u>
	Total payment excl. pension				\$109,053	\$360,848	\$367,247	\$375,819
	Pension				<u>\$1,837</u>	<u>\$9,263</u>	<u>\$16,166</u>	<u>\$21,590</u>
	Total payment incl. pension				\$110,890	\$370,111	\$383,413	\$397,409
	% change in payment incl. pension					6.7%	3.6%	3.7%
Brian Leathers <sup>(7)</sup> Chief Financial Officer 1 Jan. 2020 - 10 Aug. 2020	Base salary <sup>(6)</sup>			\$231,577	\$190,731			
	Variable pay			\$0	\$149,100			
	Other benefits			<u>\$90,920</u>	<u>\$3,425</u>			
	Total payment excl. pension			\$322,497	\$343,256			
	Pension			<u>\$2,565</u>	<u>\$4,482</u>			
	Total payment incl. pension			\$325,062	\$347,738			
% change in payment incl. pension				46.2%				
Jan Ivar Nielsen <sup>(8)</sup> Chief Financial Officer 1 Jan. 2019 - 15 July 2019	Total payment incl. pension		\$510,677	\$455,235				
	% change in payment incl. pension			-10.9%				

Note: % changes for partial years are based off annualized figures.

<sup>(1)</sup> A substantial portion of variable pay in 2018 was earned under the variable pay program based on the achievement of defined S/T and L/T results for 2018 & 2017 (USD 104,798 and USD 183,902, respectively). The remainder was paid for achievement of specific project targets related to delivery of Hull 030 (USD 232,160).

<sup>(2)</sup> Mr. Nerbovik's variable pay in 2019 consisted of an award under the 2019 variable pay program, as well as a deferred award under the 2018 variable pay program (USD 71,040 and USD 30,520, respectively). Mr. Leathers' variable pay in 2019 consisted of a payment under the 2019 variable pay program, as well as well as a deferred payment under the 2018 variable pay program (USD 66,120 and USD 82,980, respectively).

<sup>(3)</sup> Mr. Nerbovik's variable pay in 2020 consisted of an award under the 2020 variable pay program, as well as a deferred award under the 2019 variable pay program (USD 106,820 and USD 30,520, respectively). Mr. Theisen's variable pay in 2020 consisted of a pro rata award under the 2020 variable pay program due to his start date.

<sup>(4)</sup> Mr. Nerbovik's variable pay in 2021 consisted of an award under the 2021 HSE/Retention program. Mr. Theisen's variable pay in 2021 consisted of an award under the 2021 HSE/Retention program.

<sup>(5)</sup> Mr. Nerbovik's variable pay in 2022 consisted of an award under the 2022 AVP program. Mr. Theisen's variable pay in 2022 consisted of an award under the 2022 AVP program.

<sup>(6)</sup> Mr. Nerbovik's variable pay in 2023 consisted of an award under the 2023 AVP program, as well as a deferred award under the 2022 AVP program earned in 2023 (USD 39,294 and USD 66,800, respectively). Mr. Theisen's variable pay in 2023 consisted of an award under the 2023 AVP program, as well as a deferred award under the 2022 AVP program earned in 2023 (USD 22,200 and USD 36,114 respectively).

<sup>(7)</sup> Brian Leathers 2019 compensation includes remuneration from 1 January -14 July while serving as Strategy and Compliance Officer.

<sup>(8)</sup> Jan Ivar Nielsen's 2019 base salary includes severance of USD 70,000.

**Table 5.2 Metrics**  
Annual change  
(in USD)

Element	2018	2019	2020	2021	2022	2023
		2018 vs 2019	2019 vs 2020	2020 vs 2021	2021 vs 2022	2022 vs 2023
Revenues	\$129,737	\$28,207 -78.3%	\$54,144 92.0%	\$214,060 295.4%	\$393,818 84.0%	\$441,845 12.2%
EBITDA <sup>(1)</sup>	(\$15,817)	(\$17,312) -9.5%	(\$21,568) -24.6%	(\$7,036) 67.4%	(\$18,116) -157.5%	(\$63,890) -252.7%
Income/(loss) after tax	(\$44,099)	(\$20,212) 54.2%	\$1,579 107.8%	(\$7,382) 567.5%	(\$11,691) -58.4%	(\$67,937) -481.1%
Equity ratio	59%	56% -5.1%	39% -30.4%	20% -48.7%	21% 5.0%	2% -90.5%

**Variable Compensation Key Metrics**

HSE	2018	2019	2020	2021	2022	2023
LTIR <sup>(1)</sup>	0.23	0.00	0.00	0.00	0.39	0.17
RIR <sup>(1)</sup>	3.63	1.38	2.13	2.73	2.16	2.66
TRIR <sup>(1)</sup>	3.86	1.38	2.13	2.73	2.16	2.71

**(1) Definitions:**

EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
LTIR	Lost Time Incident Rate
RIR	Recordable Incident Rate
TRIR	Total Recordable Incident Rate

	2018	2019	2020	2021	2022	2023
Average employee salary <sup>(2)</sup>	\$73,553	\$82,801	\$89,712	\$75,391	\$76,573	\$77,010
Average change in % <sup>(3)</sup>	1%	-3%	9%	6%	8%	12%
Total employees	281	130	178	336	405	539

<sup>(2)</sup> Average salary is based on the year end annualized salary for all employed as of December 31 of each respective year.

<sup>(3)</sup> Salary % increase/(decrease) is based on salary changes for those employed for the full year for each respective year.

Oslo, Norway - 12 March 2024

Board of Directors Philly Shipyard ASA

				
Kristian Røkke Board Chairman	Jan Petter Hagen Board Member	Elin Karfjell Board Member	Susan Hayman Board Member	Steinar Nerbøvik President and CEO





To the General Meeting of Philly Shipyard ASA

## Independent auditor's assurance report on report on salary and other remuneration to directors

### Opinion

We have performed an assurance engagement to obtain reasonable assurance that Philly Shipyard ASA's report on salary and other remuneration to directors (the remuneration report) for the financial year ended 31 December 2023 has been prepared in accordance with section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation.

In our opinion, the remuneration report has been prepared, in all material respects, in accordance with section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation.

### Board of directors' responsibilities

The board of directors is responsible for the preparation of the remuneration report and that it contains the information required in section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation and for such internal control as the board of directors determines is necessary for the preparation of a remuneration report that is free from material misstatements, whether due to fraud or error.

### Our Independence and Quality Management

We are independent of the company as required by laws and regulations and the International Ethics Standards Board for Accountants' Code of International Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We apply the International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, and accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Auditor's responsibilities

Our responsibility is to express an opinion on whether the remuneration report contains the information required in section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation and that the information in the remuneration report is free from material misstatements. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information".

We obtained an understanding of the remuneration policy approved by the general meeting. Our procedures included obtaining an understanding of the internal control relevant to the preparation of the remuneration report in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. Further we performed procedures to ensure completeness and accuracy of the information provided in the remuneration report, including whether it contains the information required by the law and accompanying regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Oslo, 12 March 2024  
**PricewaterhouseCoopers AS**

A handwritten signature in blue ink, appearing to read 'Anne Kristin Huuse', written in a cursive style.

Anne Kristin Huuse  
State Authorised Public Accountant