POLICY FOR SALARY AND OTHER REMUNERATION OF EXECUTIVE MANAGEMENT OF PHILLY SHIPYARD ASA

Subject to approval by the general meeting on 19 April 2023

In accordance with section 6-16a of the Norwegian Public Limited Liability Companies Act, the board of directors of Philly Shipyard ASA (the "**Company**") has prepared a policy for the determination of salary and other remuneration of executive management of the Company (the "**Policy**").

The Policy applies to the following executive management:

- 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**".)

This Policy has been 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.

The Company has not received any specific views from shareholders or voting results from its general meetings with regard to the Policy.

1. DECISION-MAKING PROCESS

This Policy is subject to approval by the Company's annual general meeting in 2023, and shall remain in effect until the earlier of an extraordinary general meeting resolving material changes to the Policy or until the annual general meeting to be held in 2025, in accordance with section 6-16a (5) of the Norwegian Public Limited Liability Companies Act.

The Board is responsible for adopting this Policy with elements to be included in the Executive Management's compensation plans and guidelines for the determination of the actual annual compensation. The Board will consider any actual or potential conflict of interest in preparing and maintaining this Policy, if and when relevant, and consider reasonable measures to be taken to mitigate any such conflicts of interest.

The Board shall assess each element of the compensation plan jointly as a whole. The Board shall receive an overview of the aggregate value of the agreed remuneration to the Executive Management on an annual basis. As a main rule, the performance for the past year and the determination of the new fixed salary for the coming year, is reviewed and managed no later than during the first quarter of the new fiscal year. The new fixed salary is valid from January 1st the same year.

Variable pay shall be based on an annual variable pay (AVP) program set by the Board every year as part of each new award cycle. From 2023, variable pay elements for the Executive Management shall be linked to the achievement of defined annual results such as financial targets (profit and working capital), order intake, project targets, development of commercial solutions, alignment with

Company's values and improvement of HSE results, or otherwise in accordance with normal market practice for companies listed on the Oslo Stock Exchange.

The maximum size of any payment or award of shares under the AVP program to any member of the Executive Management is linked to the size of the Executive's base salary. Subject to customary exceptions, an Executive will be eligible to receive a payment or share award only if the Executive is employed by the Company at the time of payment or share award and has not given notice of the Executive's intention to resign.

2. PURPOSE FOR THE REMUNERATION

This Policy is designed to be in line 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. Thus, the Company offers a remuneration comprising fixed and variable salary to attract and retain Executive Management members of the experience and quality required to deliver the Company's strategy, recognising the market value of an executive's role, skills, responsibilities, performance and experience.

This Policy is designed with this in mind and has been developed in order to create a performance-based system. The remuneration components for the Executive Management are 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.

3. OVERVIEW OF REMUNERATION FOR EXECUTIVE MANAGEMENT

The current remuneration package for our Executive Management includes both fixed and variable elements (the "**Remuneration Package**"). The fixed elements consist of a base salary, severance pay, monthly pension contributions or participation in the standard Company 401k plan (employer-sponsored retirement account), and a standard insurance scheme, as explained below in section 3.1. The variable elements consist of a bonus based on the achievement of defined annual results and retention. The proportionate relationship between the fixed and variable elements may vary depending on various conditions and criteria.

The Company does not have any employee representatives on its Board of Directors.

3.1 Fixed Salary

The Executive Management receives a base salary. In addition, a variable pay as further described below may be awarded.

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 Executive Management shall otherwise be engaged on terms and conditions as is customary for the relevant positions in a company listed on the Oslo Stock Exchange. The salaries are normally reviewed on an annual basis, taking into consideration the business performance, demonstrated leadership and current salary level relative to market.

The members of the Executive Management shall be entitled to a severance package consisting of a payment of maximum twelve (12) months' salary and an extension of maximum twelve (12) months' medical benefits.

The President and CEO receives monthly pension contributions. The CFO participates in the standard Company 401K plan (employer-sponsored retirement account).

The Executive Management participates in the standard Company benefit plans, applicable to all employees.

The Company does not offer share option programs to the members of the Executive Management, but can be awarded shares under the AVP program as further described under section 3.2.3.

3.2 Variable Salary

3.2.1 Incentive/retention program

For 2021, the Company had implemented an incentive/retention (I/R) program, which was a system of reward designed to improve health, safety and environmental (HSE) performance and attain key project objectives while retaining key employees.

The I/R program was based on the achievement of HSE targets and key project targets, as well as retention.

The I/R program for the Executive Management represented a potential for an additional variable pay up to 28% of base salary, including 10% of base salary for the incentive components described above and 18% of base salary for the retention component described above.

The I/R program had minimal effects on the Company and the shareholders on the basis that remuneration was not granted in the form of shares (i.e., no risk of dilution effect).

The I/R program included a retention component to ensure continued employment of Executive Management during a crucial business cycle. The I/R program was a temporary deviation from the traditional AVP program.

3.2.2 The annual variable pay program

In 2022, the Company resumed the AVP program, which was in place prior to the introduction of the I/R program in 2020. The AVP program has been developed in order to create a performance-based system. The system of reward is designed to contribute to the achievement of good financial results and increase shareholder value.

The AVP program is based on the achievement of defined annual results such as financial targets (profit and working capital), order intake, project targets, development of commercial solutions, alignment with Company's values and improvement of HSE results.

In 2022, 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. The deferred payment, which is designed to incentivize and retain key personnel, is equal to 50% of the base award and is payable no earlier than 12 months after the base award.

From 2023, the AVP program will include the two payments described above and share awards (as further described in 3.2.3 below). The share awards, which are also designed to incentivize and retain key personnel, are equal to 50% of the base awards at the average share price for the period spanning 30 days prior to the award date.

With the addition of share awards, the AVP program (inclusive of the base award, the deferred payment and the share awards) for the Executive Management will represent a potential for an additional variable pay up to 140% of base salary.

The AVP program, including the share awards, has minimal effects on the Company and the shareholders on the basis of the relative value of the share awards, and the fact that the Company will use treasury shares to settle the share awards.

The Company cannot demand repayment of the variable remuneration that has been awarded, but the Company is not required to pay the variable remuneration if the recipient is no longer employed by the Company on the distribution/payment date or has given notice of the Executive's intention to resign.

3.2.3 Share awards under the annual variable pay program

From 2023, it is the Board's current intention to implement share awards as a third method of renumeration to the Executive Management under the AVP program.

Notwithstanding the inclusion of share awards, the criteria for the AVP program remains the same and is based on the achievement of defined annual results such as financial targets (profit and working capital), order intake, project targets, development of commercial solutions, alignment with Company's values and improvement of HSE results.

The shares, which are designed to incentivize and retain key personnel, will be equal to 50% of the base awards at the average share price for the period spanning 30 days prior to the award date. The shares underlying the awards are not subject to a traditional vesting schedule, but will be deposited into a securities account for a period of 12 months following the date of the award. After which, the shares will be transferred to the recipient, who will be responsible for any tax liability payable on the value of the shares at the date of receipt. The shares underlying the awards will be subject to certain restrictions on sale and transferability.

Given the relative value of the share awards, and the fact that the Company will use treasury shares to settle the share awards, the AVP program will have minimal effects on the Company and the shareholders.

4. DEVIATIONS FROM THIS POLICY

In case of exceptional circumstances, the Board may use its discretion after due consideration and discussions to temporarily deviate from the Policy and adjust the variable pay element to a reasonable level. Such adjustment may include granting a reasonable cash bonus to one or more Executives for an extraordinary performance or linked to the achievement of specific project targets, which could not be taken into account when setting the targets at the beginning of the year. It may also include granting extraordinary benefits and/or special exit conditions which is deemed necessary to serve the long-term interests of the Company for recruitment or retention purposes.

The Board may change or wind up the Remuneration Package in case of resignation or dismissal of an Executive, a take-over in whole or in part, significant acquisitions, significant divestments, demerger, merger, changes to the capital structure, certain dividend distributions or other material events (e.g. agree on an earlier pay out date).