

# MANAGEMENT REMUNERATION POLICY

## **The Board of directors' declaration on determination of salaries and other remuneration for senior management 2017**

### **1. General**

This declaration is prepared by the board of directors in Photocure ASA ("**Photocure**" or the ("**Company**") in accordance with the Norwegian Public Limited Liability Companies Act (the "**Companies Act**") section 6-16a, for consideration at the annual general meeting on 27 April 2017.

Principles in this declaration regarding allocation of shares, subscription rights, options and any other form of remuneration stemming from shares or the development of the official share price in the Company are binding on the board of directors when approved by the general meeting. Such guidelines are described in section 3.2. Other guidelines are precatory for the board of directors. If the board of directors in an agreement deviates from these guidelines, the reasons for this shall be stated in the minutes of the board of directors' meeting.

The principles set out for determination of salaries and other remuneration for the senior management in this declaration shall apply for the financial year 2017 and until new principles are resolved by the general meeting in accordance with the Companies Act. The annual general meeting in 2018 will review how the principles set out in this declaration have been pursued in 2017 and deal with the principles for 2018 in accordance with the Companies Act.

### **2. Main principles**

Senior management remuneration in Photocure and group companies shall be determined based on the following main principles:

#### **2.1 Remuneration shall be competitive, but not leading**

Senior management remuneration shall, as a general guideline, be suited to attract and retain skilled leaders in order to enhance value creation in the Company and contribute to aligned interests between management and the shareholders. Total remuneration should as a general rule be at level with remuneration for senior management in comparable industries, businesses and positions in the country in which the individual manager resides.

#### **2.2 Remuneration shall be motivational**

Senior management remuneration shall be structured to drive motivation and encourage improvements in results and shareholder value. In general, the remuneration consists of five elements: base salary, short term incentives, long term incentives, benefits in kind and pension benefits.

The variable remuneration, short term and long term, is linked to value generation for shareholders over time. The variable remuneration is determined both by achievement of individual and Company wide key performance indicators and goals. Instrumental is that the senior manager both individually and as a team can influence achievement of the key performance indicators and goals.

The long term incentives are tied to development of the official share price in the Company and in accordance with section 3.2 of this declaration.

### **2.3 Remuneration shall be comprehensible and acceptable both internally and externally**

The remuneration system shall not be unduly difficult to explain to the general public and should not involve disproportional complexity for the administration.

### **2.4 Remuneration shall be flexible, allowing adjustments over time**

To be able to offer competitive remuneration the Company must have a flexible system that can accommodate changes as Company and markets evolve.

## **3. Principles regarding benefits offered in addition to base salary**

The base salary is the main element of the senior manager's remuneration. Additional and variable remuneration elements are, at time of grant, subject to determination of specific maximum amounts depending on position.

The following refer to the individual benefits which are granted in addition to base salary. Unless specifically mentioned, no special terms, conditions or allocation criteria apply to the benefits mentioned.

### **3.1 Additional benefits**

#### **3.1.1 Short term incentive / bonus scheme**

The Company has established a bonus scheme for senior management. These schemes are reviewed at least annually. Bonus schemes are tied to achievement of operational and financial goals for the

Company laid down by the Board of directors and achievement of personal goals. Personal goals for senior management are approved by the Board of directors at the start of the year.

The Chief Executive Officer of the Company has a bonus agreement of up to 40% of base salary, while other members of the senior management team have bonus agreements from 20% to 30% of their base salary.

### **3.1.2 Pension plans and insurance**

Senior managers participate in the Company's pension scheme, which is a contribution scheme that involves payment of between 6% and 16% of the employee's salary, up to a maximum of 12 times the basic amount (G) of the Norwegian National Social Security Scheme (Folketrygden). Photocure has established pension coverage for management for salary above 12 G. The scheme is a contribution-based operating pension with provisions corresponding to 16% of salary above 12 G. In the event of resignation, full pension rights are conditional upon at least five years' employment, while less than 3-years' employment carries no rights. The pension schemes also cover in the event of disability.

The Company compensates the senior management for health and life insurance plans in line with standard conditions for senior positions, in addition to mandatory occupational injury insurance required under Norwegian Law.

### **3.1.3 Severance schemes**

In accordance with detailed regulations, the current Chief Executive Officer is entitled to continue to receive his salary for up to 24 months after the end of his period of notice. Should the Chief Executive Officer receive other income from employment in this period, any such income will be offset in full against his continued salary during the last 12 months of the period in which he continues to receive salary. Other senior management have a period of notice between 3 and 12 months.

### **3.1.4 Benefits in kind**

Senior managers will normally be given the benefits in kind that are common market practice, i.e., telephone expenses, a laptop, free broadband connection and use, newspapers and car allowance. There are no special restrictions on the type of other benefits that can be agreed on.

### **3.1.5 Loans and guarantees**

No loans are granted, nor any security provided for members of the senior management team, the Board of directors, employees or other persons in elected corporate bodies.

### **3.1.6 Other benefits**

It may be used other variable elements in the remuneration or awarded other special benefits than those mentioned above, provided that this is considered expedient for attracting and/or retaining a manager. No special limitations have been placed on the type of benefits that can be agreed.

### **3.2 Binding principles for options and other types of benefits related to shares or share price trends**

Senior managers may be offered to participate in a cash bonus plan up to 30% of the annual base salary at the time for granting. The bonus is offered to the senior managers according to the Board's discretion. The Board will take into consideration inter alia the Company's goals and strategies as well targeted performance for each senior manager, when allocating the bonus.

The plan is a performance based remuneration element reflecting the underlying long term value creation of the company. The participant receiving the grant is required to invest the net bonus payment after tax into shares in the Company ("**Restricted Stocks**"), that will be subject to a three years' lock up period. The Company will, on behalf of the participant, seek to facilitate the share purchase with the use of treasury shares or share capital increases. The Board will decide further terms and conditions regarding the lock-up, termination of employment and other terms and conditions for the Restricted Stock plan.

Existing subscription rights issued under the Company's previous stock option incentive plan, as resolved by the annual general meeting of the Company in 2016 and previous years, will continue in accordance with their terms. The Board may however, at its discretion, convert granted stock options to Restricted Stocks based on fair value. No further subscription rights are granted under the stock option incentive plan after implementation of the Restricted Stock plan.

## **4. Remuneration to senior managers in other Photocure companies**

All companies in the Photocure group are to follow the main principles for the determining of senior management salaries and remuneration as set out in this declaration. Photocure aims at coordinating management remuneration policy and the schemes used for variable benefits throughout the group.

## **5. Statement on executive salary policy and consequences of agreements on remuneration in the previous financial year**

Remuneration, including pension and insurances, severance schemes, benefits in kind and other benefits granted to senior management are discussed note 22 to the annual accounts for the financial year 2016.

Photocure has had an incentive scheme regarding allocation of share options in the Company, pursuant to which current senior management have received a total of 183,400 options in 2016. Each option carries the right to subscribe one share in the Company. From and including 2017, the Company has implemented the [...] plan as further described in section 3.2 of this declaration. Previous allocated share options will remain until exercised, lapsed or converted to [...].

The annual report and annual accounts for 2016 are available on the web site of the Company, [www.photocure.com](http://www.photocure.com).

The agreements entered into with senior management during the financial year 2016 are entered into in accordance with the principles for determining senior management salaries and remuneration as approved by the general meeting in 2016.

The Board believes that the guidelines for share-based remuneration promote value creation in the Company and that the impact they have on the Company and shareholders is positive.

Oslo, 5 April 2017

The Board of Directors of Photocure ASA