



# Telenor Group Executive Compensation Policy

# Introduction from the Chair of the Board

The Telenor ASA Board of Directors has prepared the following guidelines (“compensation policy”) for Group Executive Management’s compensation to be approved at the 2022 Annual General Meeting.

An important role for the Board is to secure that the compensation policy enables Telenor to attract, engage and retain executives to deliver on the business strategy and contribute to the long-term interests and sustainability of Telenor Group. As the transformation of the telecommunications industry and Telenor Group continues, it is critical for the company to have access to executives with relevant professional and international experience. The guidelines will be subject to approval by the Annual General Meeting when there is a material change and at least every fourth year in accordance with the Norwegian Public

Limited Liability Companies Act, section 6-16a and supplementing regulations.

A key principle for the Board of Directors is to secure that the compensation to Group Executive Management is competitive, but not market leading in the markets Telenor operates, and that compensation is set with due regard to the principle of moderation.

It is the Board of Director’s assessment that the compensation policy supports the business strategy, long-term interests and sustainability of the company and meets expectations from the different Telenor Group stakeholders.

Gunn Wærsted  
Chair of the Board, Telenor Group

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# Compensation Policy

## Compensation to Corporate Assembly and Board of Directors

The compensation to the Corporate Assembly is resolved by the General Meeting, after proposal to the General Meeting from the Nomination Committee.

The compensation of the Telenor ASA Board of Directors is, in accordance with the Public Limited Liability Act, decided by the Corporate Assembly following a recommendation from the Nomination Committee. The decision of the Corporate Assembly will be made public on Telenor.com the same day.

## Compensation Policy for GEM

This policy applies to the Telenor Group Executive Management (GEM) and will be implemented subject to prevailing rules and regulations in the country of employment.

The compensation policy for GEM is defined to comply with the Norwegian state guidelines for compensation of executives in companies with state ownership and is based on the same principles for compensation that Telenor applies to the executive management teams in the majority-owned subsidiaries. Local market adaptations apply to secure Telenor's competitiveness and ability to attract critical talents in international markets.

## Key principles for executive compensation

Telenor's compensation for Group Executive Management is designed to support achievement of results, the business strategy and long-term interests and sustainability of the company by attracting, engaging, and retaining the right people to create long-term value for Telenor Group and its stakeholders.

The compensation policy and structure contribute to achievement of short-term results, as well as longer-term strategic priorities for all business units and Telenor Group overall. Performance measures for the incentive plans are defined for a broad set of financial and operational strategic priorities with targets that are defined to drive desired results and secure a clear link between Group Executive Management's compensation, business strategy and company performance.

Furthermore, the compensation policy contributes to long-term interests and sustainability of the company by securing that compensation levels and structure reflect local market conditions and company performance over time, as well as includes compensation elements designed specifically to create alignment of interest between Group Executive Management and other stakeholders.

**Rewarding performance:** Compensation shall be based on a combination of company performance and individual impact as evaluated against objective and transparent criteria. Telenor puts significant emphasis on company results to foster collaboration and joint ownership of strategic priorities.

**Supporting holistic & sustainable results:** Compensation shall reflect financial results and operational performance, including Telenor Group's strong commitment to Responsible Business Conduct. At an individual level, this implies that both "what" is being delivered and "how" results are delivered shall be considered when making compensation decisions in line with Telenor behaviours.

**Offering competitive total compensation:** Compensation shall be attractive and competitive, but not market-leading in comparison with relevant local markets.

Also, the Telenor Behaviours; the key behaviours that create a set of expectations of employee conduct and ways of working across all markets in Telenor are reflected in the compensation policy and key compensation elements.

**Always Explore:** We believe growth comes from learning every day. We're curious and we dare to challenge, test, fail fast and pivot.

**Create Together:** We believe diverse teams find better solutions. We seek different perspectives, share, involve and help each other succeed.

**Keep Promises:** We believe that trust is key in all our relationships. We take ownership and pride in delivering with precision and integrity.

**Be Respectful:** We believe in the unique human ability to understand what matters for people. We meet everyone at eye level, listen and show that we care.

## Compensation structure

The compensation structure consists of fixed and variable compensation elements that together shall provide a competitive compensation to Group Executive Management which contributes to achievement of the business strategy, long-term interests, and sustainability of the Telenor Group. In accordance with the prevailing Norwegian state guidelines, the overall structure is built with an emphasis on base salary and at the maximum earnings potential the relative size of base salary is 56%, short-term incentive (STI) 28% and long-term incentive (LTI) 16%.

The incentive plans have been built so that in combination they target short-term and long-term performance through a selection of financial and operational KPIs, and where the total expected outcome of the plans over time harmonize with a competitive total compensation. This implies that all targets relating to the short-term incentive plan are set with a clear stretch, whereas for the long-term incentive plan the performance criteria are set as thresholds to be achievable in most years.

In addition, benefits such as pension, insurance and allowances are all important elements ensuring total compensation is aligned with local market practice, regulations, and employment conditions, while also

providing a foundation for the financial security and well-being of employees. As such, a holistic view considering total compensation and employment conditions is used when establishing the compensation policy.

When defining the executive compensation policy, the compensation level and employment terms of regular employees are considered to ensure that there is alignment between compensation at different levels in the organisation. Both the different elements of compensation and the total compensation are taken into consideration. For the annual salary review process, the same budget by country or location is typically applied to Group Executive Management and regular employees.

Compensation element	Key objective	Level/ annual earnings potential	Performance evaluation
Base salary	To serve as the foundation for competitive, but not market-leading, total compensation	Main compensation element reflecting scope of role and the executive's experience and business impact	Reviewed annually and adjusted as needed to reflect the executive's relative pay and business impact
Short-term incentive (STI)	To provide direction and motivation to deliver high performance in line with strategic ambitions and Telenor behaviours	Maximum 50% of annual base salary	Achievement of set annual performance measures, using a balanced scorecard focusing on group-wide priorities related to Finance, Customers, People and Responsible Business. See separate section for P&CEO STI
Long-term incentive (LTI)	To align Group Executive Management and shareholder interests, contribute to long-term value creation and retain key leaders and experts	Maximum 30% of annual base salary	Achievement of defined performance thresholds based on generation of free cash flow for Telenor Group and relative Total Shareholder Return (Telenor ASA) compared to the STOXX 600 Telecommunications index
Pension and insurance	To provide security and support in different life situations	See separate sections	Not applicable
Other terms of employment	To ensure competitive compensation and meet the specific demands of a given temporary or permanent situation	See separate section	Not applicable

## Base salary

Base salary is the main element of compensation to members of Group Executive Management, and competitive base salary levels are critical for attracting and retaining people who are skilled and motivated to deliver results and long-term value creation for Telenor Group and its stakeholders.

Base salaries are set and adjusted based on the local market and business context, the scope of the role and responsibilities, and the individual's experience and competence level relevant to the role. On a regular basis, Telenor participates in salary surveys and conducts compensation benchmarking to ensure that salary levels

are competitive and in line with local market practice. To secure moderation in its pay setting practices, Telenor targets the median level when benchmarking compensation and setting salary levels. Salaries are reviewed on an annual basis, taking the following key considerations into account:

- Business performance and local market economic indicators
- Salary level relative to the local market (ref. benchmarking)
- The individual's impact on the business: "what" and "how" in line with Telenor Behaviours



## Short-term incentive

The short-term incentive (STI) is designed to motivate Group Executive Management to drive annual results across key areas of the business in accordance with Telenor Behaviours and the long-term direction of the company. The STI is a cash-based plan where the maximum annual earning is 50% of annual base salary for the Group Executive Management, in accordance with the guidelines for companies with Norwegian state ownership.

Telenor Group places great emphasis on collaboration and joint ownership for performance and apply a set of common key performance indicators (KPIs) for the Group Executive Management. Hence, as a key principle members of Group Executive Management are measured on and rewarded for group-wide results, and members also holding Business Unit CEO responsibilities are measured on a combination of Group and Business Unit results to reflect the scope of their role.

The STI is based on business results as measured against a balanced scorecard with key performance indicators, where as a principle the financial KPIs account for a minimum of 50%. The KPIs measure key economic value drivers such as revenue, profit, and cash flow while the operational KPIs are tied to areas such as customer, people, and responsible business in line with the strategic priorities of Telenor Group. The combined set of KPIs form the Telenor Group STI scorecard and the 2022 Group scorecard is shared as an example below. The target levels for each KPI are set as a stretch and challenging to achieve with target pay-out at 35% of base salary and will be presented in the compensation report together with the results achieved each year.

Environmental, Social and Governance (ESG) aspects are of high importance to the STI plan and have been key to the core plan design for many years. The focus on ESG will continue to develop in the years to come, and in line with the strategic importance of ESG, Telenor plans to introduce a climate related KPI in 2023.

The KPIs are reviewed each year as part of the group-wide strategy process and targets are set to deliver against the ambitions for the coming year. The Board of Directors is involved throughout the strategy process and approves the KPIs and targets as a final step. A key objective of the

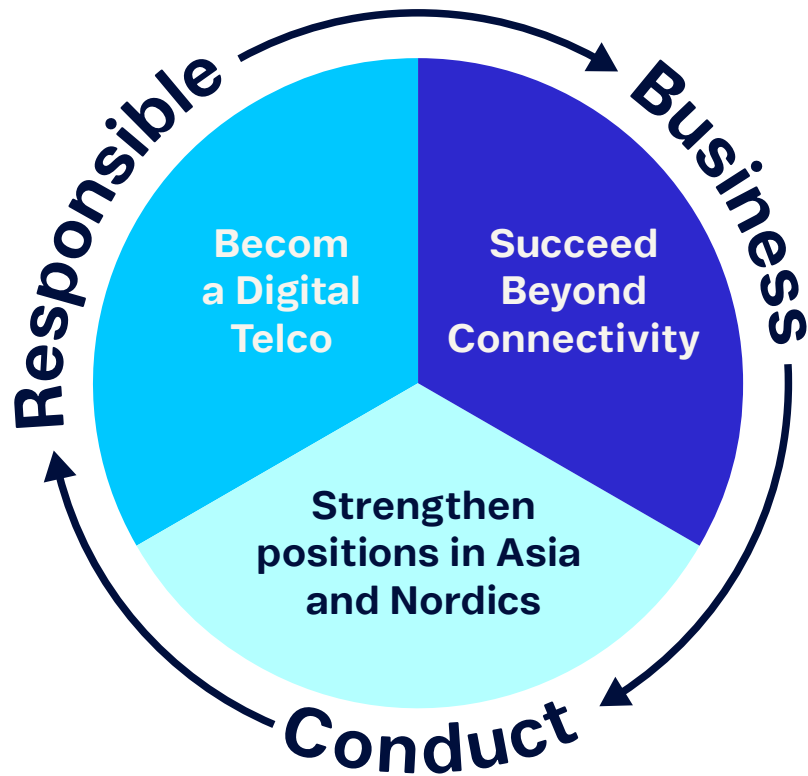
STI plan is to drive short-term performance and the Board of Directors will ensure that adjustments are made when necessary to reflect prevailing business context and strategic priorities. Potential minor adjustments or additions to KPIs and/ or weighting are considered non-material and hence, not subject to approval by the Annual General Meeting.

STI achievement is determined by measuring results achieved against the set targets for the year and presented for approval by the Board of Directors. As part of the final review, a discretionary assessment can be made by the Board of Directors to ensure that the final STI outcome represents overall Telenor Group business performance.

## STI plan for the President and CEO

In addition to the Telenor Group scorecard, which the President and CEO shares with the Group Executive Management, the STI plan for this role also includes additional key priorities set by the Board of Directors on an annual basis. The key priorities shall reflect specific focus areas for the President and CEO any given year, typically within strategic areas such as long-term direction and business strategy, growth, customer and brand management, leadership, and succession. When defining the key priorities each year it is the Board's intention that the President and CEO priorities shall reflect key items of importance for longer-term value creation across the Telenor Group. Furthermore, the Board of Directors seeks to define quantitative measures within each of the areas and will maintain mandate to conduct an overall discretionary assessment to make sure the combined STI plan achievement reflects overall performance for the fiscal year.

As a general principle, the Telenor Group scorecard accounts for 70% and the key priorities accounts for 30% of the overall President and CEO STI plan. The maximum STI earnings potential for the President and CEO is 50% of annual base salary.



	KPIs	Descriptions		Weights
Financial	Organic Service Revenue Growth	Telenor's overall financial ambition is to create shareholder value through cash flow generation, while maintaining a solid balance sheet and providing attractive shareholder remuneration. The target levels for each of the financial KPIs are set to support this. The ambition is based on the following key value drivers:	Revenue growth is key for long-term sustainable value creation. Subscription and traffic revenues constitute the major share of revenues in Telenor's core business.	20%
	Organic EBITDA Growth		EBITDA reflects progress on our modernisation and efficiency agenda and measures how profitable our revenue growth is.	20%
	Free Cash Flow before M&A		Free cash flow generation through EBITDA growth and prudent capital allocation, supporting shareholder remuneration.	20%
Operational	Brand Preference	A strong brand is essential for securing a competitive position in all markets, as well as for driving organic growth and profitability. Brand Preference is a leading brand strength indicator which is accompanied by a broader set of performance-based metrics and functions as a steering cockpit for go-to-market strategies. Targets are defined by assessing several relevant factors such as future strategic plan, market dynamics and historical development and forecast for each market individually, and Telenor's main ambition is to grow the brand preference over time.		20%
	Engagement & Enablement	People are the heart of Telenor, and highly engaged, winning teams are the key to delivering a great customer experience, growth, and long-term value for stakeholders. Engagement & Enablement measures key dimensions that drive workforce effectiveness and business performance across all teams and markets and serves as a foundation for systematic work on organisational development and improvement. Telenor holds an ambition level that centres on sustaining or growing these results depending on each local market context.		20%

## Long-term incentive

The long-term incentive (LTI) is designed to align the interests of Group Executive Management and shareholders, contribute to long-term value creation, and retain leaders across the Telenor Group. Dependent on Telenor Group performance, the President and CEO and Group Executive Management can, on an annual basis, receive a maximum LTI grant of 30% of their annual base salary. Telenor will, on behalf of the participants, invest the after-tax grant amount in Telenor ASA shares.

LTI grants are contingent upon Telenor Group's financial performance measured over a two-year period prior to the grant year. Telenor Group will apply financial measures that drive long-term business results and value creation for Telenor Group and shareholders. Telenor aims to maintain performance measures and target levels over time, provided these are supporting the long-term business objectives and sustainability of the company. As opposed to the STI targets that are set with significant stretch, the performance criteria relating to the LTI are set as minimum thresholds with the intention of issuing grants in most years to fulfil the purpose of aligning interests between Group Executive Management and shareholders, retention and contribute to an overall competitive total compensation. The Board of Directors may adjust the thresholds to reflect major changes in the Telenor Group structure or effects from significant extraordinary items.

As an example, the following binary performance measures are in place for the 2022 LTI plan, with 50:50 weighting:

- **Free Cash Flow before M&A:** Threshold NOK 5 billion, yearly average over the performance period.
- **Total Shareholder Return** relative to the European telecommunications market (STOXX Europe 600 Telecommunications, SXKGR): Threshold -5% of index.

In addition to the two-year performance period, the shares will be subject to three years lock-in from the year of grant, hence, the LTI plan spans over a period of five years in total. Granted shares are released for disposal provided the member of Group Executive Management is still employed by Telenor Group at the end of the lock-in period. Should a member of Group Executive Management resign from Telenor before the end of the lock-in period, the shares are forfeited and returned to Telenor. However, in cases where employment is terminated due to retirement, disability or death, the employee may be granted rights to retain locked LTI shares.

Telenor Group does not offer share option plans to Group Executive Management.

## Employee share purchase plan

The Employee Share Purchase Plan (ESP) is a group-wide plan offered to all employees in the Telenor Group to encourage alignment of employee and shareholder interests and to give employees an opportunity to take part in the value

creation. Group Executive Management can buy shares on the same terms as regular employees and get a 25% discount (max. NOK 2 000) on the share purchase, however, will from ESP plans in 2022 onwards no longer be eligible for any ESP bonus shares due to the majority owner's guidelines limiting variable pay to maximum 80% of base pay.

The plan offers employees the opportunity to invest up to 4% of their annual base salary in Telenor ASA shares or phantom shares in countries where local laws and regulations restrict foreign shareholdings.

## Pension

Pension terms vary for members of the Group Executive Management, as they are employed in different markets on both local and expatriate terms. The compensation report provides an overview of pension entitlements beyond the general collective pension plans.

Since 2006, new Group Executive Management members employed in Norway and hired externally have been enrolled in the collective defined contribution scheme for employees in Norway. In this plan, pensionable earnings are capped at 12 G, where G is the basic amount of the Norwegian National Insurance Scheme. The pension contribution is 5% of pensionable earnings between 0 G and 7.1 G and 18% between 7.1 G and 12 G.

Collective pension agreements predating 2006 have been honoured for Group Executive Management members in accordance with Telenor Group policy. In addition, the pension plan covering earnings above 12G was closed for new entrants in 2012 and effective 2017 any such agreements are discontinued for internal promotions into the Group Executive Management. Any individual pension plan agreements were issued in accordance with prevailing regulations at the time.

The retirement age for all employees in Norway, including Group Executive Management, is 70. Some members of the Group Executive Management are entitled to retire at age 60 or 65, according to individual agreements. Please see the table Individual Terms in the compensation report for the relevant year.

The pension plans for Group Executive Management employed outside of Norway are in accordance with legislation and practice in the respective markets. Employees on international assignments will normally remain in their home country pension plan, alternatively, they will be enrolled in a host country plan, or an allowance will be provided in lieu.

## Benefits

The President and CEO and the Group Executive Management are entitled to benefits, in accordance with local policies and country specific practices. These benefits can be permanent or temporary in nature. Normally, such benefits are not included in pensionable earnings or the

annual salary review. Please refer to the compensation report for details.

## Other terms of employment

### Employment contracts and notice

Employment contracts for the Group Executive Management are permanent employment contracts, normally with a six-month notice period. Telenor Group actively rotates leaders to drive business performance and foster a strong culture across markets, as well as to develop the leadership skills required now and in the future.

### Shareholding requirement

The President and CEO and the Group Executive Management should as a minimum hold shares in Telenor ASA equivalent to the value of one annual base salary. Group Executive Management members are required to invest up to 20% of their net short-term incentive payment in Telenor ASA shares over time until this requirement is met.

### External hiring

When Group Executive Management are recruited externally, the company may offer sign-on compensation at a reasonable level for forfeited incentive opportunities and/ or other material compensation changes as result of recruitment to Telenor. The compensation will consider the vehicle, expected value and timing of forfeited awards and preferably be offered in company shares, alternatively in cash with a claw back period in case of voluntary notice. Sign-on compensation will only be applied in special situations with the aim to attract critical competence and achieve sustainable total compensation levels.

### Appointments resulting from M&A

When members of Group Executive Management are transferred due to a merger or acquisition, the company may offer compensation at a reasonable level for forfeited incentive opportunities and/ or other material compensation changes as result of the transfer to Telenor. The company may allow continuation of current earnings potential that is higher than Telenor's policy for a transitional period, normally up to a maximum of two years.

### Relocation

In cases where members of Group Executive Management are hired from a different country and required to relocate for the employment with Telenor, the company can cover reasonable costs related to the relocation of the executive

and their family to ease the transition and settling into a new country. Normally costs will be covered for items such as housing and school for a period of up to one year. Employees transferring from other Telenor companies may be offered compensation for transition to a new holiday pay system the first year of employment.

### Mobility

A mobile and dynamic workforce is important to Telenor. The global mobility policy is employed to cater for situations where employees are temporarily working from another country than their home country. International assignments are normally timebound to maximum 5 years duration in one country, after which employees can take on a new international assignment or local employment in any of the companies in the Telenor Group. Compensation and other terms related to international assignments are set based on the global mobility policy applicable to all international assignees, including Group Executive Management.

### Retention

Retention bonuses can be used in cases where critical employees' retention is of importance to Telenor, typically, in situations of restructuring or reorganisation. The Group Executive Management may be eligible for a retention payment for agreements issued prior to appointment to GEM, or at the transition from another company into Telenor.

### Severance

The President and CEO and Group Executive Management are entitled to severance pay equal to six months of their annual base salary from the expiry of the notice period. Any severance pay entitlement is conditional upon Group Executive Management waiving their employee protection rights under local law and is applied in situations where the resignation is requested by the company. In extraordinary situations, it may also be applied to facilitate an agreement to discontinue the employment, where the member of Group Executive Management gives notice pursuant to a written agreement with the company. Group Executive Management's own resignation will not trigger severance payment, and the severance payment is also forfeited in cases of summary dismissal from the company.

The member of Group Executive Management may be paid the short-term incentive earned prior to the notice period, and company shares held as part of active long-term incentive plans may be released at the end of the lock-in period. Further, subject to local law, the company will reduce severance payments corresponding to other income earned during the severance period.



## Incentive claw back

Telenor Group has claw back provisions in the terms and conditions for both the short-term and long-term incentive plans. If Telenor's financial statements are subject to a restatement due to error or misconduct, Telenor can claim reimbursement of excess compensation paid under the STI or LTI plans which was based upon the wrong data. If a breach of the Telenor Group Code of Conduct, and/ or other company policies or standards, or local law and regulations, is observed, the incentive payment may be reduced, forfeited or reimbursement may be claimed.

# Compensation governance

In accordance with the Norwegian Public Limited Liability Companies Act, the Board of Directors prepare guidelines for Group Executive Management compensation and presents the guidelines whenever there is a material change and at least every fourth year, to the Annual General Meeting for approval.

## People & Governance Committee

The Board has appointed a preparatory committee to assist the Board in its work with executive compensation. The committee prepares compensation matters for review and approval by the Board of Directors and does not have independent decision-making authority. Hence, the work of the committee does not alter the responsibilities of the Board of Directors. The main tasks and responsibilities of the committee are corporate governance, executive compensation, leadership, and culture development.

## Potential deviations from the policy

The Board of Directors may decide to deviate from the compensation policy in exceptional circumstances where the deviation is required to serve the long-term interests and sustainability of the Telenor Group. Requests for deviations are raised to the Board of Directors for consideration and decision. Any changes or exceptions relating to the P&CEO are subject to Board approval. Any changes or exceptions for other members of the Group Executive Management, are reviewed by the Board or the People and Governance Committee and approved by the P&CEO.

Any deviations will be reported by the Board of Directors to the General Assembly by disclosing and explaining the deviation in the compensation report.

## Changes to the compensation policy

The following changes have been made since the previous compensation policy, approved by the Annual General Meeting on 21 May 2021:

- The bonus opportunity (share matching) in the employee share purchase (ESP) plan is no longer available to Group Executive Management, with effect from 2022 onwards. The change is implemented to comply with the new Norwegian state guidelines published on 30 April 2021.
- New paragraphs have been included: mobility, retention
- Policy governance has been expanded
- Shareholder feedback has been considered when developing the new policy. As an example, the claw back provision has been explained in greater detail and any LTI awards granted as part of a severance agreement will be locked until the end of the relevant plan's lock-in period.