

2022

Annual and Sustainability Report

**Nammo**

# Nammo executive remuneration report 2022

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The report has been prepared in accordance with the Norwegian Public Limited Liability Companies Act, the Accounting Act, and the Norwegian State's Guidelines for the Remuneration of Senior Executives in Companies with Direct State Ownership, and in line with the Norwegian Code of Practice, all aspects of compensation to the President & CEO and the Group Executive Management are presented in the report.

## Board of Directors annual remuneration report 2022

### INTRODUCTION

Nammo is owned by the Norwegian Ministry of Trade, Industry and Fisheries and the Finnish Aerospace & Defense company Patria Oyj, each owning 50 percent of the shares in the company.

Nammo strives to follow and meet expectations and guidelines from both of the owners.

The Norwegian Government's guidelines for Remuneration of Senior Executives implied several changes:

- Annual adjustment of salary should also take into account the wage growth (in terms of Norwegian kroner) for other employees.
- Performance based salary to be reduced from maximum 50 percent to 25 percent.
- No compensation for pension above 12G.

Any differences applied to these guidelines should be argued for and explained in the executive remuneration report.

The Finnish owner is of a different opinion and believes variable pay earnings possibilities drive better sustainable business performance and practices. Whenever possible, these elements should be emphasized compared to fixed

pay components. Hence, Patria means a reduction of the performance based salary is not in the best interest of the company and its shareholders. Patria also believes top management fixed salaries compensation increases should not exceed the percentage of increase in the labor market.

The Board has had an extensive discussion related to the principles of top management compensation. The company policy have been reviewed and updated and the Board decided to continue existing policy and not to follow the new guidelines from the Norwegian owner.

The reasoning for this decision is that the company needs to remain competitive (not market leading) in top management compensation, so that top talent can be retained and needed new competence can be attracted.

In addition the company operates in a highly competitive, security critical environment in various international markets. The current security environment together with exceptional customer needs puts Nammo executive management under severe pressure with increased workloads. Hence, the Board is of the opinion that lowering the existing earnings possibilities is not in the best interest of the company.

### THE CEO AND EXECUTIVE MANAGEMENT

The Nammo executive management team is as follows:

- Morten Brandtzæg, CEO
- Christian Rykke, SVP Finance/CFO
- Tomas Ramse Andersen, SVP Business Development
- Anne Haugen-Flermoe, SVP Legal & Regulatory Affairs
- Fredrik Tangeraas, SVP Communications
- Sissel Solum, SVP Sustainability & Compliance
- Kjell Kringsjå, President Nammo Inc.
- Reijo Bragberg, EVP Small & Medium caliber ammunition
- Vegard Sande, EVP Large caliber systems
- Stein Erik Nodeland, EVP Aerospace propulsion
- Raimo Helasmäki, EVP Commercial ammunition

The composition of the executive management team has been stable during 2022. Tomas Ramse Andersen was appointed SVP Business Development with effect from 1 March 2022 replacing Jens-Petter Dieseth. The executive remuneration report specify below the various compensation elements in 2022 for all members of the executive management team.

## DEVIATIONS FROM POLICY

There has been no deviations from remuneration policy during 2022.

## REMUNERATION TO THE CEO AND EXECUTIVE MANAGEMENT

### CEO

The CEO earned a fixed salary of NOK 4.805.131 in 2022, which included an increase of 4.3 percent effective from 1st July.

The CEO bonus agreement had a maximum yield of 50 percent of salary (including the additional pension element) and was based on defined KPI's from the company's strategic plan. The goal achievement in 2022 was 89 percent and equaled NOK 2.919.913. The details in the agreement are as follows:

#### A. Nammo Group financial result (NIBT), 60 percent of total bonus.

- NIBT: Below 90 percent of budget yields 0 bonus.
- NIBT: Above 110 percent of budget yields 100 percent bonus.

Through the bonus window, the calculation is linear.

The CEO achieved 100 percent outcome on the financial target.

#### B. Personal goals, 40 percent of total bonus:

- 10 percent related to financial improvement in the US business.  
The CEO achieved 0 percent outcome on the KPI.
- 10 percent related to growth in a key segment of Nammo's US business opportunities.  
The CEO achieved 90 percent outcome on the KPI.
- 10 percent related to achieving Lost Time Injury frequency rate of 5 or below.  
The CEO achieved 100 percent outcome on the KPI.
- 10 percent related to complete the process of mapping Nammo Groups global CO2 footprint.  
The CEO achieved 100 percent outcome on the KPI.  
The CEO achieved 72.5 percent outcome on the personal goals.

The CEO bonus agreement for 2023, with targets set by the Board, has a maximum yield of 50 percent of salary (including the additional pension element) and is based on defined KPI's from the company's strategic plan. The details in the agreement are as follows:

#### A. Nammo Group financial result (NIBT), 60 percent of total bonus.

- NIBT: Below 90 percent of budget yields 0 bonus.
- NIBT: Above 110 percent of budget yields 100 percent bonus.  
Through the bonus window, the calculation is linear.

#### B. Personal goals, 40 percent of total bonus:

- 10 percent related to financial improvement in the US business.
- 10 percent related to reduction of working capital in Nammo Group.
- 10 percent related to growth in a key segment of Nammo's US business opportunities.
- 10 percent related to sustainability, to perform Life Cycle Analysis and Environmental Product Declaration for two product categories.

## EXECUTIVE MANAGEMENT

The bonus agreement for executive management follows the same structure as the CEO's. Targets reflect the overall company goals set by the Board. Executive management has two main targets; improved financial and operational performance. The bonus scheme for 2022 were based on:

- Financial, i.e. NIBT improvements both in the individual business unit for the EVPs and on group level (EVPs 60 percent, other top managers 40–70 percent)
- Operational improvements (30–60 percent of total bonus), such as delivering on defined improvement programs and other specific operational objectives (e.g. minimize supply-chain disruptions, markets, customer, sustainability, people & safety, continuous improvement)
- In addition, all executive managers have personal goals (10–20 percent of total bonus).

For 2022, the goal achievement for the executive management were average 83.4 percent.

## PENSION

The CEO has a Pension Compensation agreement.

The background is to compensate for lack of pension for income above 12G. The overriding principle is that the Pension Compensation is calculated so as to simulate that the aggregate of actual payments (before tax) from (i) Folketrygden, plus (ii) the Company's pension plan, plus (iii) the Pension Compensation, equals 60 % of estimated salary (before tax) at the time when the CEO reaches 67 years.

The Pension Compensation is payable to the CEO on a monthly basis until the CEO reaches 65 years of age. Hence, the company has no pension obligation above 12G to the CEO after this point.

The annual amount is NOK 2.530.980.

## SEVERANCE PACKAGE ARRANGEMENTS

If the Board asks the CEO to resign from his position before his retirement age at 65, the CEO is entitled to an "employment-ending-compensation" corresponding to 12 months base salary.

No other management executives are entitled to pay after termination of employment beyond the regular dismissal period.

## STATEMENT FOR THE FISCAL YEAR 2022

Following the ordinary salary settlement of 1 July 2022, the base salary increases for the CEO and executive management team have been adjusted with 4.3 percent. This followed the general salary regulations in the Norwegian subsidiary Nammo Raufoss AS in accordance with central union and employer agreement with local supplement adjustment. The non-executive employees in Nammo AS followed the same salary adjustment.

In 2022, Nammo delivered both financial and operational results above expectations. This resulted in bonus achievement of 89 percent for the CEO and average 83.4 percent for executive management.

Besides the above described, no agreements regarding remuneration were entered into or changed that would have any significant effects for Nammo or its shareholders in the previous financial year.

**TABLE 1: Total compensation 2022**

(NOK)	Function	Salary	Additional pension element	Earned bonus for 2022	Other comp	Pension cost	Total	Fixed variable compensation (as % of total)
Morten Brandtzæg	President and CEO	4 805 131	2 530 980	2 919 143	569 645	222 724	<b>11 047 623</b>	74/26
Kjell Kringsjå	President Nammo Inc.	3 316 608	234 792	1 048 470	135 723	211 365	<b>4 946 959</b>	79/21
Christian Rykke	CFO	2 752 058	239 088	829 252	244 955	277 227	<b>4 342 580</b>	81/19
Stein Erik Nodeland	EVP AP	2 025 124	113 994	711 392	153 855	211 170	<b>3 215 534</b>	78/22
Vegard Sande	EVP LCS	2 428 132	193 062	429 280	333 067	170 857	<b>3 554 397</b>	88/12
Reijo Bragberg	EVP SMCA	1 853 056	–	608 397	11 371	923 730	<b>3 396 553</b>	82/18
Raimo Helasmäki	EVP CA	3 204 727	–	1 144 544	150 731	675 056	<b>5 175 058</b>	78/22
Tomas Ramse Andersen	SVP Business Development	1 451 120	37 560	474 506	122 021	174 424	<b>2 259 631</b>	79/21
Anne Haugen-Flermoe	SVP Legal & Regulatory Affairs	1 831 866	91 014	514 327	65 543	253 706	<b>2 756 456</b>	81/19
Sissel Solum	SVP Sustainability and Compliance	1 771 505	65 052	490 579	102 692	228 192	<b>2 658 019</b>	82/18
Fredrik Tangeraas	SVP Communications	1 781 657	75 642	463 250	153 872	282 839	<b>2 757 259</b>	83/17

## DEVELOPMENT IN COMPENSATION AND COMPANY PERFORMANCE

Compared to previous years the bonus achievement is at the same level or significantly higher (2018: 31 percent, 2019: 40 percent, 2020: 83 percent, 2021: 80 percent).

The analysis of executive total remuneration and the company results show similar development in the period. The difference between executive total remuneration and other employee's salary development is due to difference in composition of the remuneration elements between these two groups. All executives have bonus agreements, whereas only a minor number of other employees have a bonus agreement.

**TABLE 2: Development base salary and pension costs, last 5 years**

Annual change (YoY%)	2018	2019	2020	2021	2022
Morten Brandtzæg President and CEO	5 996 398	6 853 921	7 032 402	7 222 525	7 558 835
	–	14.3 %	2.6 %	2.7 %	4.7 %
Kjell Kringsjå President Nammo Inc.	2 581 373	2 536 365	3 055 790	3 292 379	3 762 765
	–	-1.7 %	20.5 %	7.7 %	14.3 %
Christian Rykke CFO	–	–	–	2 915 473	3 268 373
	–	–	–	–	12,1 %
Stein Erik Nodeland EVP AP	–	1 980 968	1 919 533	2 130 616	2 350 288
	–	–	-3.1 %	11.0 %	10.3 %
Vegard Sande EVP LCS	2 178 412	2 303 833	2 314 903	2 474 437	2 792 051
	–	5.8 %	0.5 %	6.9 %	12.8 %
Reijo Bragberg* EVP SMCA	2 298 379	2 465 161	2 958 890	2 811 121	2 776 786
	–	7.3 %	20.0 %	-5.0 %	-1.2 %
Raimo Helasmäki* EVP CA	2 931 121	3 050 003	3 440 837	3 183 991	3 879 783
	–	4.1 %	12.8 %	-7.5 %	21.9 %
Tomas Ramse Andersen SVP Business Development	–	–	–	–	1 663 104
	–	–	–	–	–
Anne Haugen-Flermoe SVP Legal & Regulatory Affairs	1 535 475	1 600 803	1 627 206	1 919 782	2 176 586
	–	4.3 %	1.6 %	18.0 %	13.4 %
Sissel Solum SVP Sustainability and Compliance	–	–	–	–	2 064 749
	–	–	–	–	–
Fredrik Tangeraas SVP Communications	–	–	–	–	2 140 138
	–	–	–	–	–

\*) For executives employed outside Norway, the numbers are influenced by fluctuations in currency exchange rates.

**TABLE 3: Development total compensation, last 5 years**

Annual change (YoY%)	2018	2019	2020	2021	2022
Morten Brandtzæg	6 564 901	7 882 053	8 338 787	9 889 320	11 047 623
President and CEO	–	20.1 %	5.8 %	18.6 %	11.7 %
Kjell Kringsjå	2 948 409	2 914 265	3 486 457	4 368 448	4 946 959
President Nammo Inc.	–	-1.2 %	19.6 %	25.3 %	13.2 %
Christian Rykke	–	–	–	3 883 396	4 342 580
CFO	–	–	–	–	11.8 %
Stein Erik Nodeland	–	2 203 212	2 101 228	2 795 274	3 215 534
EVP AP	–	–	-4.6 %	33.0 %	15.0 %
Vegard Sande	2 553 212	2 789 314	2 730 702	3 509 569	3 554 397
EVP LCS	–	9.2 %	-2.1 %	28.5 %	1.3 %
Reijo Bragberg*	2 717 589	2 816 811	3 131 202	3 536 659	3 396 553
EVP SMCA	–	3.7 %	11.2 %	12.9 %	-4.0 %
Raimo Helasmäki*	3 209 027	3 639 831	4 925 888	4 560 224	5 175 058
EVP CA	–	13.4 %	35.3 %	-7.4 %	13.5 %
Tomas Ramse Andersen	–	–	–	–	2 259 631
SVP Business Development	–	–	–	–	–
Anne Haugen-Flermoe	1 653 217	1 741 001	1 849 310	2 481 028	2 756 456
SVP Legal & Regulatory Affairs	–	5.3 %	6.2 %	34.2 %	11.1 %
Sissel Solum	–	–	–	–	2 658 019
SVP Sustainability and Compliance	–	–	–	–	–
Fredrik Tangeraaas	–	–	–	–	2 757 259
SVP Communications	–	–	–	–	–

\*) For executives employed outside Norway, the numbers are influenced by fluctuations in currency exchange rates.

Table 3 continues on the next page





**TABLE 3: Development total compensation, last 5 years****Group performance**

Annual change (YoY%)	2018	2019	2020	2021	2022
Revenue growth	10.3 %	3.1 %	19.0 %	15.6 %	6.8 %
Profit before tax growth	-1.2 %	-2.7 %	60.2 %	19.6 %	9.1 %
Return on equity	8.7 %	7.0 %	14.6 %	14.8 %	15.0 %

**Average total compensation of non-executive employees**

Annual change (YoY%)	2018	2019	2020	2021	2022
Employees of the company, Nammo AS	1 153 889	1 195 600	1 300 845	1 310 727	1 358 774
P&CEO/Employee ratio	5.7	6.6	6.4	7.5	8.1

**TABLE 4: Compensation Board of Directors, last 2 years**

<b>Board of Directors</b>		<b>2021</b>	<b>2022</b>
Esa Rautalinko	Chairman*	439 000	476 000
Dag Schjerven	Vice Chairman*	468 000	459 000
Cathrine Bjaarstad	Board Member	259 000	267 000
Sirpa-Helena Sormunen	Board Member	266 000	274 000
Ville Jaakonsalo	Board Member	275 000	289 000
Marianne Stensrud	Board Member	259 000	267 000
Petri Kontola	Board Member	266 000	274 000
Jan Steffen Skogseth	Board Member	179 000	274 000

\*] Chairman and Vice Chairman changes in the AGM every year in April.

## BOARD OF DIRECTORS' STATEMENT

The Board of Director has today reviewed and adopted the Executive Remuneration Report of Nammo for the financial year 2022.

The Executive Remuneration Report is prepared in accordance with section 6-16b of the Public Limited Companies Act.

Raufoss, 20 March 2023

				
<b>Esa Rautalinko</b> CHAIRMAN OF THE BOARD	<b>Dag Schjerven</b> VICE CHAIRMAN OF THE BOARD	<b>Jan Skogseth</b> BOARD MEMBER	<b>Cathrine Bjaarstad</b> BOARD MEMBER	<b>Ville Jaakonsalo</b> BOARD MEMBER
				
<b>Sirpa-Helena Sormunen</b> BOARD MEMBER	<b>Marianne Stensrud</b> BOARD MEMBER	<b>Petri Kontola</b> BOARD MEMBER	<b>Morten Brandtzæg</b> PRESIDENT & CEO	

# Independent Auditor's Assurance Report



Statsautoriserte revisorer  
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## INDEPENDENT AUDITOR'S ASSURANCE REPORT ON REMUNERATION REPORT

To the General Meeting of Nammo AS

### Opinion

We have performed an assurance engagement to obtain reasonable assurance that Nammo AS's report on salary and other remuneration to directors (the remuneration report) for the financial year ended 31 December 2022 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 control

We are independent of the company in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. Our firm applies International Standard on Quality Control 1 (ISQC 1) and accordingly maintains 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, 17 April 2023  
ERNST & YOUNG AS

Anders Gøbel  
State Authorised Public Accountant (Norway)



**Nammo**

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