

Shelf Drilling, Ltd.

Annual Remuneration Report for 2023

Letter from the Compensation Committee Chair

Dear Shareholder,

This is the first remuneration report of Shelf Drilling, Ltd. (the “Company”) and sets out the remuneration decisions and outcomes for the 2023 financial year. It marks the beginning of our regular reporting on the remuneration of our Senior Executives and Non-Executive Directors.

Other than where highlighted, this remuneration report has been prepared in accordance with the principles in the Norwegian Public Limited Liability Companies Act, section 6-16b supplemented by the Regulation on guidelines and report on remuneration for leading personnel of 11 December 2021 No. 2730. These disclosure requirements adopt those of section 5 of the Commission Recommendation of 14 December 2004 (2004/913/EC) as amended, as required by article 46.1 of our Articles of Association.

Consistent with the approved resolution at our 7 January 2025 Extraordinary General Meeting (“EGM”), this report is being provided for information only and will not be submitted for an advisory shareholder vote. As further approved at the EGM, we will prepare and submit a remuneration statement and a remuneration report for 2024 for binding and advisory votes, respectively, at the 2025 AGM.

On the following pages we have presented the amounts paid to our Senior Executives and Non-Executive Directors, where, for the purposes of this report, we have defined ‘Senior Executives’ to include the CEO, CFO and COO.

Our remuneration framework was established at the Company inception in 2012 and supplemented with the long-term incentive plan following our listing on the Oslo Stock Exchange in 2018. This framework has been designed to support the achievement of Shelf Drilling’s business goals and is consistent with remuneration practices within our sector. The compensation principles which sit behind our remuneration framework are described later in this report, and, for context, we have set out below the key elements of our Senior Executives’ remuneration, which will be further explained in our remuneration policy to be published later this year:

- Base salary
- Annual bonus
- Long-term Incentive Plan (LTIP) awards
- Pension contribution
- Other benefits and allowances

The year 2023 was a period of transition for Shelf Drilling as we emerged from the difficult market conditions which started in 2020. As a result of strong performance during the year across a number of our key objectives, annual bonus payments of 90% of target bonus opportunity were paid to our Senior Executives. However, no LTIP awards were granted or vested during the year as our normal LTIP grant cycle had been paused following a one-off stock option award made to Senior Executives in 2021. Full details of payments made in relation to 2023 are set out in this report.

COMPENSATION PRINCIPLES

Our framework for Senior Executive remuneration takes into account the following principles:

- Remuneration should be set at a level sufficient to attract and retain the executives required for the successful operation of our business and execution of our strategy, without paying more than is necessary;
- Remuneration should include both fixed and variable components;
- Variable remuneration should include a balance of short-term and long-term elements which aligns with the requirements of our business;
- Remuneration should include a significant equity component to align the interests of our Senior Executives with those of shareholders;
- A significant portion of remuneration should be performance-linked and reward the achievement of our strategic goals and strong business performance;
- Remuneration should take account of the pay levels and the pay structures of other companies in our sector.

When setting pay levels, the Compensation Committee (the “Committee”) takes into account a range of factors including market data for companies in our sector and of similar size to Shelf Drilling, internal pay relativities, business performance, and the pay structure for employees below Senior Executive level.

The overall objective of the remuneration guidelines for Senior Executives is to attract, retain and motivate employees with the skills, qualifications and experience needed to maximize value creation for the Company and its shareholders.

SENIOR EXECUTIVE REMUNERATION

Summary of Senior Executive remuneration

The table below sets out the salary, benefits, pension, bonus and long-term incentives relating to 2023 for our Senior Executives:

Amounts shown in \$000s

Director	Position	Year	Fixed		Variable		Extraordinary Items ⁴	Pension ⁵	Total	Proportion fixed and variable ⁶
			Salary	Benefits ¹	Bonus ²	LTIP ³				
David Mullen	CEO	2023	735	150	662	0	-	85	1,631	59 / 41
		2022	700	140	1,050	0	0	77	1,967	47 / 53
William Hoffman	COO	2023	504	174	363	0	-	38	1,079	66 / 34
		2022	480	171	576	0	0	35	1,262	54 / 46
Greg O'Brien	CFO	2023	473	23	340	0	-	36	872	61 / 39
		2022	450	19	540	0	0	34	1,043	48 / 52

1. Benefits include housing allowance, transportation, schooling, medical and insurance. CFO was not eligible for housing and schooling benefits in 2023 or 2022 as he was based in the USA.
2. The annual bonus outcome for 2023 was 90% of target and for 2022 was 150% of target. Further information on the 2023 annual bonus is provided later in this report.
3. This column includes the value of RSU and share options granted in the year and the value of PSU awards vesting by reference to the year. No RSUs or share options were granted, and no PSU awards ended their performance period in 2023 or 2022
4. No extraordinary items (for example retention bonuses or awards) were earned in 2023 or 2022
5. Senior Executives can receive a company pension contribution up to 12.5% of base salary, subject to statutory caps. During 2023, the CEO and COO received a contribution of 11.5% and the CFO received a contribution of 11%. In 2022, the CEO, COO & CFO each received a contribution of 11%.
6. For the purposes of this calculation, fixed remuneration includes salary and all benefits, including housing, schooling and pension.

Base Salary for 2023

In November 2022, the Committee approved a 5% increase in base salary for Senior Executives, effective 1 January 2023. This increase was consistent with that provided to other employees in Dubai and followed a review of the market benchmark provided by external consultants. It should be noted that this was the first base salary increase for the CEO since the Company's inception in 2012, and the first for the CFO and COO since 2020 and 2015 respectively.

Annual bonus outcome for 2023

The CEO has a target annual bonus opportunity of 100% of base salary and other Senior Executives have a target bonus opportunity of 80% of base salary. The annual bonus is paid in cash, and payments can range from 0x to 2x the target bonus based on both a quantitative and a qualitative assessment of the Company's performance by the Committee. The quantitative assessment was based on the following weightings for each of the specific targets established at the beginning of the year:

EBITDA	50%
Safety	10%
Uptime	10%
Major Projects	15%
Marketing	10%
ESG	5%

The Company delivered an Adjusted EBITDA of \$311million, within the lower end of the external guidance range published in March 2023. The recently acquired North Sea business underperformed as a result of changes in the UK government's tax regime and a significant reduction in activity in that market in 2023. Cost reduction efforts across the remainder of our business ensured that we delivered results within the guided range.

Our safety result in 2023, as measured by our Total Recordable Incident Rate (TRIR) was 0.12, the lowest in the Company's history and a performance that significantly exceeded our internal target and far below that achieved by the industry, as measured by the International Association of Drilling Contractors (IADC).

Our uptime result of 98.8% came close to our internal target despite the challenges with integrating the high specification, harsh environment fleet acquired in 2022. This further demonstrated the effectiveness of our highly centralized maintenance, technical support and procurement processes.

In 2023 we undertook 14 major out of service projects, the highest number in the Company's history, with 8 completed within the calendar year. In recognition of the potential impact this could have had on our financial performance, the weighting of the major projects component of the bonus program was increased to 15% for 2023 versus 10% in prior years. Despite the numerous supply chain and personnel challenges resulting from the ramp up in activity for the industry in Saudi Arabia, these projects were completed, in aggregate, on budget and within the projected timeline.

Our marketing goal was set based on achieving a number of key contract awards and overall gross backlog addition throughout the year. This goal was achieved, and included a significant contract win for the Shelf Drilling Barsk in Norway and a strategic win for the Shelf Drilling Perseverance in Vietnam, following a decision to relocate this rig as a result of the reduced demand in the North Sea mentioned earlier.

We made further progress in developing and testing our pilot engine and fuel monitoring systems to help our rig crews manage more effectively our power requirements and hence reduce emissions. We also made significant progress in further enhancing our sustainability reporting platform and published our first Transparency Act statement during the year. While we did not meet our targeted Scope 1 intensity reduction, we made further improvements on linking fuel consumption to rig activity, to further assist our crews in managing power requirements in future.

For the qualitative assessment, the Committee considered the results mentioned above and recognized the significant outperformance in safety and projects, especially given the challenges faced across the industry. The Committee also recognized the efforts made by Management to respond to the reduced contribution from the North Sea, the results of which contributed to ensuring a successful conclusion of the refinancing transaction that closed in the fourth quarter.

The Committee determined that the overall bonus outcome for 2023 would be 90% of the target opportunity for each employee in the plan, including Senior Executives. Amounts paid to each Senior Executive are shown in the table above.

LTIP awards with a performance period ending in 2023

No LTIP awards had a performance period ending in 2023.

LTIP awards granted in 2023

No LTIP awards were granted in 2023.

Severance payments

No Senior Executives departed from Shelf Drilling during 2023.

Summary of outstanding share awards

As at 31 December 2023, the Senior Executives only held unvested option awards which were granted in 2021, as set out below. These awards were issued following the cancellation of prior RSU and PSU awards, and to ensure alignment of the Senior Executives with shareholders following a period of significant turmoil for the Company and industry.

Name	The main conditions of the options awards ¹					Changes during 2024			
						Opening balance	During the year		Closing balance
	Plan name	Award Date	Vesting Date	Exercise period	Exercise price (NOK)	Number of options	Options awarded	Options vested	Unvested
David Mullen CEO	2021 Stock Options	10 August 2021	15 February 2025	15 Feb 2025 – 15 Feb 2030	4.60	5,176,183	-	-	5,176,183
William Hoffman COO	2021 Stock Options	10 August 2021	15 February 2025	15 Feb 2025 – 15 Feb 2030	4.60	2,957,819	-	-	2,957,819
Greg O'Brien CFO	2021 Stock Options	10 August 2021	15 February 2025	15 Feb 2025 – 15 Feb 2030	4.60	2,341,607	-	-	2,341,607

- Options must be exercised within the specified exercise period or earlier if the executive's employment is terminated. The reduced exercise period may be adjusted based on the circumstances of the termination.

Remuneration decisions for 2024

The following decisions were taken for remuneration in 2024:

- Base salaries: As a result of the executive transition, Greg O'Brien's base salary was increased to \$735,000 per year, effective August 15, 2024. At the same time David Mullen's base salary was reduced to \$400,000 per year, as he assumed the Executive Chairman role. A base salary of \$435,000 was awarded to Douglas Stewart who joined the Company as CFO effective October 14, 2024.
- Annual bonus: Greg O'Brien's bonus opportunity was increased to 100% on assuming the CEO role while David Mullen was removed from the plan effective the same day (he will receive a pro-rata bonus payment for 2024 for the time he was CEO). Douglas Stewart was awarded a bonus opportunity of 80% on assuming the CFO role. The quantitative scorecard will retain the same components as in prior years, however the weighting for Projects will be reduced from 15% to 10% as the number of planned projects reduced from the 2023 peak. At the same time the weighting for the Marketing goal was increased from 10% to 15% in recognition of the increased availability of our fleet in 2024 and early 2025.
- LTIP: As the business outlook improved in 2023, and as all outstanding LTIP awards are due to vest in 2025, the decision was made to revert to annual grants of PSUs and RSUs in 2024 to ensure that our Senior Executives could continue to build up equity awards which would serve to retain them in the business and align their interests with those of shareholders. Award levels for Senior Executives are benchmarked against other companies in our sector, and the performance condition for PSUs is based on Shelf Drilling's Total Shareholder Return (TSR) versus a comparator group of similar companies. The number of PSUs vesting would depend on Shelf Drilling's TSR versus a comparator group of other drilling companies, and RSUs would vest based on continued service.
- Benefits and pension: no changes were made for 2024 to benefits and pension.
- The full detail of the remuneration of our Senior Executives in 2024 will be provided in the 2024 remuneration report to be published with the annual report.

NON-EXECUTIVE DIRECTOR REMUNERATION

Non-Executive Director (“NED”) remuneration consists of base fees, additional fees for the chairing of a committee, and an annual equity award. The amounts paid to Non-Executive Directors in 2023 are set out below. Non-Executive Directors do not receive benefits, variable compensation, extraordinary items or pension contributions.

Amounts shown in \$000

Director	Position	Year	Fixed		Variable		Extraordinary Items	Pension	Total	Proportion fixed and variable
			Fees ¹	Benefits	Bonus	LTIP ²				
Ernie Danner	Chairman	2023	150	-	-	150	-	-	300	50 / 50
		2022	150	-	-	150	-	-	300	50 / 50
John K. Castle	NED	2023	100	-	-	50	-	-	150	67 / 33
		2022	100	-	-	50	-	-	150	67 / 33
David B. Pittaway	NED	2023	100	-	-	50	-	-	150	67 / 33
		2022	100	-	-	50	-	-	150	67 / 33
Benjamin Sebel	NED	2023	100	-	-	50	-	-	150	67 / 33
		2022	100	-	-	50	-	-	150	67 / 33
Usama Trabulsi	NED	2023	100	-	-	50	-	-	150	67 / 33
		2022	100	-	-	50	-	-	150	67 / 33
David Williams	NED	2023	125	-	-	50	-	-	175	71 / 29
		2022	125	-	-	50	-	-	175	71 / 29
Xianzhi Mei	NED	2023	0	-	-	50	-	-	50	0 / 100
		2022	n/a	-	-	n/a	-	-	n/a	n/a
Will Franklin ³	NED	2023	18	-	-	n/a	-	-	18	100/0
		2022	100	-	-	50	-	-	150	67 / 33
Dongyang Lou ⁴	NED	2023	0	-	-	n/a	-	-	n/a	n/a
		2022	0	-	-	50	-	-	n/a	0/100
John Reynolds ⁵	NED	2023	100	-	-	50	-	-	150	67 / 33
		2022	100	-	-	50	-	-	150	67 / 33

1. The NED base fee is \$100,000 and the Chairman base fee is \$150,000. Additional cash fees of \$25,000 are paid for chairing the Audit Committee. The base fees for Xianzhi Mei, who was elected as a Director in June 2023, and Dongyang Lou were waived.
2. Annual awards of RSUs are granted to the Non-Executive Directors or the sponsor firm that such Director represents such that RSUs were granted to Castle Harlan, Inc. (“Castle Harlan”) in respect of John K. Castle and David Pittaway’s directorships; to an affiliate of China Merchants (“China Merchants”) in respect of Xianzhi Mei and Dongyang Lou’s directorships, and to Lime Rock Management LP (“Lime Rock”) in respect of John Reynolds and Will Franklin’s directorships. John K. Castle and David Pittaway have economic interests in and voting rights over 19.9M shares in the Company held by affiliates of Castle Harlan.
3. Will Franklin resigned from the Board in March 2023 and the RSUs granted to Lime Rock in November 2022 were forfeited.
4. Dongyang Lou resigned from the Board in June 2023 and the RSUs granted to China Merchants in November 2022 were forfeited.
5. John Reynolds resigned from the Board in March 2024 and the RSUs granted to Lime Rock in November 2023 were forfeited.

Outstanding RSU awards together with those granted and vesting during the year are set out in the table below.

Name	The main conditions of the share awards			Changes during 2023			
				Opening balance ¹	During the year		Closing balance
	Plan name	Award Date	Vesting Date	Number of awards	Number awarded ²	Number vested	Unvested
Ernie Danner	2023 NED RSUs	14 November 2023	14 November 2024	95,092	51,923	95,092	51,923
John K. Castle	2023 NED RSUs	14 November 2023	14 November 2024	31,697	17,308	31,697	17,308
David B. Pittaway	2023 NED RSUs	14 November 2023	14 November 2024	31,697	17,308	31,697	17,308
Benjamin Sebel	2023 NED RSUs	14 November 2023	14 November 2024	31,697	17,308	31,697	17,308
Usama Trabulsi	2023 NED RSUs	14 November 2023	14 November 2024	31,697	17,308	31,697	17,308
David Williams	2023 NED RSUs	14 November 2023	14 November 2024	31,697	17,308	31,697	17,308
Xianzhi Mei	2023 NED RSUs	14 November 2023	14 November 2024	31,697	17,308	31,697	17,308
John Reynolds ³	2023 NED RSUs	14 November 2023	14 November 2024	31,697	17,308	31,697	17,308

1. RSUs awarded in 2022
2. The number of RSUs granted was determined from the target LTI value (in US\$) divided by the 30-day trailing volume weighted average share price ending November 7, 2023. Values used were a share price of NOK 31.907 and an average exchange rate of 1 USD : 11.051 NOK.
3. John Reynolds resigned from the Board in March 2024 and the RSUs granted to Lime Rock in November 2023 were forfeited.

Senior Executive and Non-Executive Director shareholdings

Shelf Drilling operates a shareholding requirement for Senior Executives to reach a shareholding of 5x annual base salary for the CEO, and 3x annual base salary for other Senior Executives. There is no shareholding requirement in place for Non-Executive Directors, but they are encouraged to hold shares in the Company. The current shareholdings of each Senior Executive and Non-Executive Director are set out below:

Name	Shareholding		Unvested PSUs		Unvested RSUs		Unvested Options ¹		Vested but unexercised share options		Shareholding as a % of salary ²
	1 Jan 2023	31 Dec 2023	1 Jan 2023	31 Dec 2023	1 Jan 2023	31 Dec 2023	1 Jan 2023	31 Dec 2023	1 Jan 2023	31 Dec 2023	31 Dec 2023
David Mullen	1,098,942	1,098,942	-	-	-	-	5,176,183	5,176,183	-	-	2115%
William Hoffman	581,470	581,470	-	-	-	-	2,957,819	2,957,819	-	-	1736%
Greg O'Brien	254,946	254,946	-	-	-	-	2,341,607	2,341,607	-	-	1342%
Ernie Danner	527,977	623,069	-	-	95,092	51,923	-	-	-	-	n/a
John K. Castle	500,000	500,000	-	-	31,697	17,308	-	-	-	-	n/a
David B. Pittaway	0	0	-	-	31,697	17,308	-	-	-	-	n/a
Benjamin Sebel	177,543	209,240	-	-	31,697	17,308	-	-	-	-	n/a
Usama Trabulsi	77,543	109,240	-	-	31,697	17,308	-	-	-	-	n/a
David Williams	77,543	109,240	-	-	31,697	17,308	-	-	-	-	n/a
Xianzhi Mei	0	0	-	-	31,697	17,308	-	-	-	-	n/a
Will Franklin	0	0	-	-	31,697	0	-	-	-	-	n/a

Dongyang Lou	0	0	-	-	31,697	0	-	-	-	-	n/a
John Reynolds	0	0	-	-	31,697	17,308	-	-	-	-	n/a

1. See table provided earlier for details on the option award made in 2021.
2. Includes actual shareholdings, shares subject to unvested RSUs and the number of shares subject to unvested and vested options that would be held if the option holder had exercised the share option and sold sufficient shares to cover the exercise price in all cases based on the year end share price. Calculation based on 31 December 2023 closing share price of NOK 29.00 and exchange rate of 10.1744 NOK/ USD.
3. NED RSUs are granted to each Director or, if applicable, to the sponsor firm they represent and therefore upon vesting, shares are issued in settlement of RSUs to Castle Harlan in respect of John K. Castle and David Pittaway's directorships, to an affiliate of China Merchants in respect of Xianzhi Mei's directorship and to Lime Rock in respect of John Reynolds' directorship. John K. Castle and David Pittaway have economic interests in and voting rights over 19.9M shares in the Company held by affiliates of Castle Harlan.

Percentage change in remuneration

As per the disclosure requirements stated previously, our remuneration report would normally include a table setting out the percentage change in remuneration over the last five years for each Senior Executive and Non-Executive Director. However, as this is our first remuneration report, we have omitted this table but will include it in the remuneration report for 2024 and subsequent years.

Deviations from our normal pay practices

Remuneration for the Senior Executives and Non-Executive Directors was operated in-line with our normal pay framework during 2023 with no discretion exercised by the Committee for any exceptional circumstances.

Use of the right to reclaim variable remuneration

A clawback provision in the Company's remuneration policy ensures that remuneration can be recouped under specific circumstances. There were no cases where the right to reclaim was exercised in 2023.

Shareholder engagement

We believe that the publication of this remuneration report is an important step in developing our communication and engagement with our shareholders. We welcome and look forward to receiving any feedback on this report to better understand shareholder views.

As a reminder, we will be publishing a Remuneration Statement that outlines our compensation principles and policy, along with a 2024 Remuneration Report. Both documents will be presented to shareholders at our 2025 AGM for a binding and advisory vote respectively.

Signed:



Chair of the Compensation Committee

3 March 2025