

Remuneration Policy for SKAKO A/S  
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## Introduction

This Remuneration Policy sets out the principles and framework for the full remuneration paid to members of the Board of Directors and the Executive Management of SKAKO. Executive Management includes all executives registered with the Danish Business Authority.

This Remuneration Policy is approved by the shareholders at the annual general meeting at least every fourth year and in case of any significant amendments.

## Objective

The overall objectives of the Remuneration Policy are:

- Attracting, retaining and motivating qualified members of the Board of Directors and Executive Management.
- Ensuring alignment between the interests of the members of the Executive Management and those of the shareholders.
- Promoting the long-term interests and sustainability of SKAKO and supporting SKAKO's strategy in the short and long term.

## General principles

The remuneration of the Board of Directors is comprised of a fixed fee plus compensation for travel.

The remuneration of the Executive Management is comprised of the following remuneration components:

- Fixed base salary
- Pension contributions
- Standard employee benefits, including a company car
- Cash bonuses (the Short-term Incentive Programme (STIP))
- Share-based payments (the Long-term Incentive and Retention Programme (LTIRP))

The fixed annual base salary is designed to attract, retain and motivate qualified individuals with professional and personal competences required to support SKAKO's performance and business strategy. The fixed annual base salary is set to ensure that the total remuneration package is competitive and reasonable compared to relevant benchmarks.

Pension contributions are made to enable members of Executive Management to build up an income for retirement.

Other benefits are added to ensure that overall remuneration is competitive and aligned with local practice.

The incentive pay-elements are designed to align the interests of the Executive Management with the interests of the shareholders by providing incentives for the Executive Management to meet the short and long-term goals of SKAKO and to promote value creation for the benefit of the shareholders:

- a) The Short-term Incentive Programme (STIP) is designed to incentivize each individual member of the Executive Management for individual performance within his/her functional area and to ensure short-term achievements in line with SKAKO's financial and operational targets.
- b) The Long-term Incentive and Retention Programme (LTIRP) is designed to promote the collective performance of Executive Management and to align the interests of Executive Management with those of SKAKO's shareholders, as well as to ensure a balance between short-term achievements and long-term perspectives. Furthermore, these programmes facilitate a considerable share ownership for Executive Management, thereby providing further alignment with the shareholders' interests.

Incentive pay is granted based on actual achievements over a period of time. Targets for the individual members of the Executive Management are closely related to SKAKO's business strategy. Thus, when determining targets for the individual members of Executive Management, SKAKO's sustainability, long-term targets and value creation are taken into account and non-financial targets are considered.

The split between fixed and variable remuneration elements is intended to incentivize Executive Management to achieve strong performance and strategic objectives which create shareholder value both short and long-term, while at the same time promoting sound business decisions. The balance between the fixed and variable remuneration elements granted to each member of Executive Management is targeted to be broadly in line with market practice for benchmarked companies.

## Remuneration of the Board of Directors

### Process

The Board of Directors annually reviews remuneration for members of the Board of Directors in respect of the current and next calendar year based on a recommendation from the Chairmanship.

When preparing its recommendation, the Chairmanship will evaluate board fees against relevant benchmarks of Danish and other Nordic companies similar to SKAKO in size and complexity.

Remuneration for the past year and the remuneration level for the current year are approved by the annual general meeting each year as a separate agenda item.

Information on the total remuneration granted to the Board of Directors, in the aggregate and on an individual basis, including information on travel allowance paid and expenses reimbursed, is disclosed in the annual report, along with a statement on compliance with these Remuneration Principles.

### Fee

Board members shall receive a fixed annual base fee.

Board members shall receive a fixed amount (the base fee), while the Chairmanship receives a multiple thereof:

- a) The Chairman shall receive 2.67 times the base fee.
- b) The Deputy Chairman shall receive 1.33 times the base fee.

Service on the Audit Committee entitles board members to receive an additional fee:

- a) The chairman of the Audit Committee shall receive an additional fee of 0.33 times the base fee, and

Individual board members may take on specific ad hoc tasks outside their normal duties for and at the instruction of the Board of Directors. In each such case the Board of Directors shall determine a fixed fee (e.g. per diem) for the work carried out related to those tasks. The fixed fee will be disclosed in the annual report and approved at the following annual general meeting.

Members of the Board of Directors are not offered any pension arrangements

### Travel allowance and other expenses

Board members do not receive a fixed travel allowance.

All members of the Board of Directors receive reimbursement of reasonable expenses such as travel and accommodation in relation to board meetings.

**Incentive programs**

Members of the Board of Directors are not offered any type of incentive-based remuneration.

**Term of board membership**

Board members elected by the general meeting are elected for a term of one year. Re-election can take place.

## Remuneration of the Executive Management

**Process**

Remuneration for members of the Executive Management is proposed by the Chairmanship and approved by the Board of Directors.

The individual remuneration packages are evaluated annually against relevant benchmarks of Danish and other Nordic companies similar to SKAKO in size and complexity.

Information on the total remuneration granted to Executive Management, in the aggregate will be disclosed in the annual report. Remuneration granted on an individual basis shall be disclosed in the remuneration report.

**Composition**

The remuneration package consists of a fixed annual base salary and variable elements consisting of short and long-term incentives. In addition, members of Executive Management receive a pension contribution and other benefits, this remuneration structure is deemed to be resilient in securing successful leadership in SKAKO whilst securing alignment with shareholder expectations.

**Size of the components**

The fixed annual base salary accounts for approximately 70 % to 90 % of the total value of the remuneration package. The interval states the span between "maximum performance" and the "on-target-performance". By ensuring the fixed base salary does not account for more than 90 % of the total value of the remuneration package Executive management is incentivized to strive towards variable remuneration aiming at creating shareholder value both short-term and long-term. When each variable pay element reaches its maximum, base salary accounts for 75 % which is currently deemed to be a competitive incentive for Executive Management.

The STIP may result in a maximum annual grant equal to up to four months' fixed base salary including pension contribution.

The LTIRP is subject to value creation in SKAKO A/S. Thus, the LTIRP cannot be allocated an amount.

By balancing the components Executive Management is hereby incentivized to achieve both targets thereby aiming to generate both short-term and long-term shareholder value.

**STIP - Short-term Incentive Program**

STIP consists of a cash-based incentive linked to achievement of a number of predefined functional and individual business targets for each member of Executive Management. STIP aims to incentivize Executive

Management towards the achievement of short-term financial and strategic targets, thereby aligning their interest to that of shareholders.

Targets for the STIP are determined by the Chairmanship and may be linked to both operational, financial and individual objectives and may include, but not be limited to: revenue growth, profit margin, cash flow, order entry, profitability, customer and employee satisfaction, operational stability, sourcing ratio, unmanaged employee turnover and/or other relevant objectives. The chosen objectives reflect the overall company strategy and sustainability. The degree of target achievement for each member of Executive Management is evaluated by the Chairmanship.

The Chairmanship evaluates the degree of target achievement for each member of Executive Management. The degree of achievement of financial targets may be based on the Company's financial results as presented in the annual report and achievement of non-financial targets may be based on internal assessments or with external assistance, if deemed relevant. The calculation of cash-based incentives under the STIP - if any - will for a given year typically be based on the salary in December of the relevant member of Executive Management and becomes payable after announcement of the annual report for the subsequent year.

STIP is subject to recovery or 'claw-back' by SKAKO, provided the remuneration was paid on the basis of data which proved to be manifestly misstated due to wilful misconduct or gross negligence by the member of Executive Management. Claw-back in relation to the STIP is possible up to 12 months after the actual payment of the cash-based incentive.

### **LTIRP – Long-term Incentive and Retention Program**

LTIRP consists of a warrants-based Incentive and Retention Program. When approved by the general meeting the Board of Directors have the option of granting each member of the Executive Management warrants in SKAKO A/S. Allocation to each member of the Executive Management is at the Board of Directors discretion within the boundaries approved by the general meeting. The chosen vehicle for LTIRP is warrants as SKAKO wishes to incentivize stable and sustainable returns, whilst ensuring Executive Management does not participate in an incentive program that could have little or no value. This further ensures Executive Management long-term interests and experience are aligned to those of shareholders.

Warrants under the LTIRP are allocated subject to a vesting period of at least three years. If a participant resigns during the vesting period, his or her warrants will be forfeit. The vesting period may be accelerated in the event of a take-over in whole or in part, significant divestments, demerger, merger or other material events as determined by the Board of Directors in connection with the LTIRP.

### **Pension**

Members of Executive Management participate in a defined contribution pension plan with pension contribution of between 10 % and 25 % of the fixed annual base salary, including bonus. This provides a competitive post retirement package in a way that manages the overall cost to SKAKO. It is possible for Executive management to choose to have pension paid as salary instead.

### **Other benefits**

Members of Executive Management receive a range of benefits which may include company cars, computers, phones etc. Allocation of such benefits is approved by the Chairmanship after delegation of powers from the Board of Directors.

Members of Executive Management may participate in customary employee benefit programmes, e.g. employee share purchase programmes.

**Termination of employment**

The employment of a member of Executive Management may be terminated by SKAKO by up to 12 months notice and the individual member by up to 6 months notice.

**Severance payment**

In the event of termination whether by SKAKO or by the individual member, due to a merger, acquisition or takeover of SKAKO, members of Executive Management may, in addition to the notice period, be entitled to receive a severance payment of up to 12 months' fixed base salary including pension contribution.

**Deviation from the Remuneration Policy**

In order to meet the overall objectives of the Remuneration Policy and ensure the long-term interests of the Company, the Board of Directors may in individual extraordinary circumstances deviate from this Remuneration Policy. Deviations may include changes to the relative proportion of remunerations components, including the maximum value of the STIP and LTIP, the duration of the vesting and lock-up periods under the LTIP and the LIP as well as changes to the term and termination provisions of contracts entered into with members of Executive Management.

The Board of Directors must discuss and approve any deviations based on proposal from the Remuneration Committee.

Deviations shall be disclosed and motivated in the remuneration report.

**Decision-making process and conflict of interest**

The Chairmanship is responsible for the preparation and annual review of the Remuneration Policy. If the Chairmanship deems it necessary to revise the Remuneration Policy, the Chairmanship will recommend a revision of the Remuneration Policy to the Board of Directors.

The Board of Directors reviews the Remuneration Policy annually based on the recommendation from the Chairmanship. If the Board of Directors adopts the Chairmanship proposal to revise the Remuneration Policy in any material way, it will submit the Remuneration Policy to the shareholders for consideration and approval at the annual general meeting.

As a part of the preparation of the Remuneration Policy, the Chairmanship compares and assesses the relationship between the remuneration of members of the Board of Directors and Executive Management and the average remuneration of the other full-time employees in the Company. The objective is to ensure that the remuneration of members of the Board of Directors and Executive Management is proportionately in line with the responsibility the duties of the Executive Management entail and does not differ significantly from comparable companies.

Chairmanship proposal to revise the Remuneration Policy in any material way, it will submit the Remuneration Policy to the shareholders for consideration and approval at the annual general meeting.

The Chairmanship monitors the implementation of the Remuneration Policy and informs the Board of Directors of relevant discussions and presents recommendations to the Board of Directors

The Chairman of the Board of Directors shall explain and motivate the Remuneration Policy and the Company's compliance therewith at the annual general meeting.

The members of the Board of Directors receive a fixed annual base fee, which is approved by the Annual General Meeting each year, with no additional variable remuneration components. In light of this, the risk of a conflict of interest is minimal. However, if an actual or potential conflict of interest arises for a member of the Board of Directors

such member shall promptly inform the Chairman. If a conflict of interest arises for the Chairman, the Chairman shall promptly notify the Deputy Chairman.

The Executive Management is consulted in connection with the Chairmanship's considerations regarding a possible revision of the Remuneration Policy, but the Executive Management has no decision-making power in relation to the Remuneration Policy.

## Overview of remuneration of Board of Directors and Executive Management

	<b>Board of Directors</b>	<b>Executive Management</b>
Fixed annual base fee	Yes	Yes
Fee for committee work	Yes	No
Fee for ad hoc tasks	Yes	Yes
STIP	No	Yes
LTIRP	No	Yes
Pension	No	Yes
Travel allowance	No	No
Other benefits	No	Yes
Severance pay	No	Yes

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These Remuneration Principles have been adopted by the Board of Directors of the Company and will be presented for approval by the general meeting on 22 April 2020.