



# **Brødrene A & O Johansen A/S**

## Remuneration Report

Financial Year 2022

As approved by the Board of Directors on 22 February 2023



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## 1 Introduction

The Remuneration Report for 2021 was approved without comments at the Company's General Meeting held on 18 March 2022. The Board of Directors has today approved the Company's Remuneration Report for the financial year 2022.

The Report provides an overall overview of the remuneration awarded to, received by, or owed to each member of the Board of Directors and the Executive Board of Brødrene A & O Johansen A/S, CVR no. 58210617 for the financial year 2022. The Executive Board is the members of the executive management of the Company registered as such with the Danish Business Authority.

The remuneration of the Board of Directors and the Executive Board during the past financial year has been provided in accordance with the Remuneration Policy of the Company approved by the Annual General Meeting on 18 March 2022, which is available on the Company's website, <https://ao.dk/globalassets/download/regnskabsdata/2022/remuneration-policy-2022.pdf>.

The overall objective of the remuneration is to attract, motivate and retain qualified members of the Board of Directors and the Executive Board, to promote value creation and sustainable return on AO's investments, to ensure sound and efficient risk management systems to the benefit of the Company's interests, and to align the interests of the shareholders with those of the Board of Directors and the Executive Board, both in the long term and the short term.

The stated remuneration<sup>1</sup> is contained in the audited annual report for the Company and the Group for the financial year 2022, which is available on the Company's website <https://ao.dk/om-ao/investor-relations/in-english/financial-statements>.

## 2 Remuneration of the Board of Directors

Pursuant to the Remuneration Policy, members of the Board of Directors receive a fixed annual base fee based on the number of Board of Director and Committee seats held in the Company and the Group. Board members are not offered any incentive-based remuneration. This ensures that the Board of Directors is independent of short-term financial results and can focus on the Company's long-term strategic value creation and sustainability.

The annual base fee is in line with the Remuneration Policy taking into consideration the market practice of relevant comparable companies of the same size and complexity and taking into account the competency and performance requirements for members of the Board of Directors, including the number of meetings and committee work.

In addition to the base fee, the Chairman and the Deputy Chairman of the Board of Directors receive an additional fee which, in accordance with market practice, can constitute up to 100% and 50%, respectively, of the annual base fee.

Members of Board Committees also receive a fixed annual committee fee, which can constitute up to 100% of the annual base fee. In addition to the fixed annual committee fee, the Chairman and the Deputy Chairman of the Board Committees receive an additional fee. The additional fee can constitute up to 100% of the fixed annual committee fee for the Chairman and up to 50% for the Deputy Chairman.

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<sup>1</sup> The remuneration included in the Annual Report is calculated in accordance with IFRS, and therefore share-based remuneration is stated as nine out of 36 months of vesting, whereas the full 2022 grant is stated in the Remuneration Report.

<b>Remuneration of the Board of Directors for the financial year 2022</b>						
DKK thousand Name and position	Annual fee	Committee fee	Allowances	Benefits	Subsidiaries	Total remuneration
Henning Dyremose, Chairman Audit Committee	350.0	350.0	0	0	350.0	1,050.0
Michael Kjær, Deputy Chairman Audit Committee	262.5	262.5	0	0	262.5	787.5
Erik Holm, Board member Audit Committee	175.0	175.0	0	0	175.0	525.0
Preben Damgaard, Board member Audit Committee (1 January - 19 November 2022)	116.7	116.7	0	0	116.7	350.0
Niels A. Johansen, Board member	175.0	0	0	0	175.0	350.0
René Alberg, Employee representative	175.0	0	0	0	0	175.0
Leif Hummel, Employee representative	175.0	0	0	0	0	175.0
Marlene L. Jakobsen, Employee representative	175.0	0	0	0	0	175.0
<b>TOTAL REMUNERATION</b>	<b>1,604</b>	<b>904.2</b>	<b>0</b>	<b>0</b>	<b>1,079.2</b>	<b>3,587.5</b>

No remuneration for specific tasks has been paid to members of the Board of Directors for the financial year 2022.

### **3 Remuneration of the Executive Board**

The remuneration of the Executive Board is determined annually and approved by the Board of Directors based on recommendations by the Chairmanship, which ensures that the remuneration is in accordance with the Remuneration Policy and contributes to AO's business strategy, long-term interests and sustainability through the application of relevant short- and long-term financial goals (KPIs), strategic goals and development in the Company's share price.

The Board of Directors has adopted a remuneration structure for the Executive Board which best supports the objectives of the Remuneration Policy.

The remuneration of the Executive Board may consist of a combination of the following components:

- Fixed salary
- Short-term incentive pay
- Long-term incentive pay
- Pension
- Customary benefits (free travel, etc.)

The choice of these components creates a well-balanced remuneration package reflecting individual performance and responsibility of the members of the Executive Board in relation to



established goals and targets, both in the short and the longer term, and the Company's overall performance.

The Executive Board's short and long-term incentive schemes are linked directly to the financial targets supporting the Company's strategy. The composition of the remuneration of each individual executive is determined with a view to contribute to the Company's ability to attract and retain competent key employees while, at the same time, ensuring that the Executive Board has an incentive to create more added value for the benefit of the Company's shareholders.

Members of the Executive Board do not receive separate remuneration for management posts held in the subsidiaries of the Company, but members of the Executive Board may, when agreed with the Board of Directors, receive a director's fee on an equal footing with external members of the Board of Directors. In 2022, no separate remuneration has been paid to members of the Executive Board for management posts held in subsidiaries apart from what is stated in section 2.

On recommendation from the Chairmanship, the terms of employment and remuneration for the CEO are approved by the Board of Directors. As agreed with the Chairmanship, the terms of employment and remuneration for other executives are negotiated by the CEO, and via the Chairmanship the outcome is recommended for approval by the Board of Directors.

Remuneration of the Executive Board for the financial year 2022							
DKK thousand Name and position	Fixed remuneration			Variable remuneration			Proportion of fixed and variable remuneration
	Base salary	Benefits	Pension	Cash bonus	Share-based remuneration*	Total remuneration	
Niels A. Johansen, CEO	9,288	114	1,337	1,800	0	12,539	86% / 14%
Per Toelstang, CFO	4,060	204	315	1,000	1,408	6,987	66% / 34%
Stefan Funch Jensen, CDO	2,348	203	352	750	913	4,566	64% / 36%
Lili Johansen, CHRO	3,086	114	289	1,000	1,136	5,625	62% / 38%
Gitte Lindeskov, CIO	2,304	203	346	750	900	4,503	63% / 37%
<b>TOTAL REMUNERATION</b>	<b>21,086</b>	<b>838</b>	<b>2,639</b>	<b>5,300</b>	<b>4,357</b>	<b>34,220</b>	<b>72% / 28%</b>

\*Share-based remuneration includes the full value of the grant in 2022. The vesting period of the program is three years, and only 25% of the grant value is vested in 2022.

In 2022, incentive pay included cash bonuses and grants of free restricted shares. Total remuneration of the Executive Board is determined on the basis of the experience of each individual executive and a market-related assessment.

Conciliation to the annual report, note 7:

Total remuneration according to the remuneration report, cf. above:	34,220
Of this, share-based remuneration not relating to 2022:	<u>-3,268</u>
<b>Total remuneration of the Executive Board according to the Annual Report</b>	<b><u>30,952</u></b>



### 3.1 Fixed base salary

The annual fixed base salary is intended to attract and retain competent key employees with a view to contribute to the Company's ability to obtain its short- and long-term targets.

The annual remuneration is based on the market level of other relevant companies of similar size, complexity and structure as well as the qualification requirements and results for each individual member of the Executive Board.

### 3.2 Pension contributions

Individual pension schemes are agreed upon within the salary scale determined by the Board of Directors. Pension contributions can constitute up to 16% of the fixed annual salary for the individual executive.

### 3.3 Short-term incentives

Members of the Executive Board may receive an annual cash bonus, which is intended to motivate and reward members of the Executive Board to help AO achieve the adopted short-term goals.

Goals are set for one year at a time and primarily include financial results such as gross margin, profit before tax, cash flow from operations, etc., but may also include share price performance and targets for the individual Executive Board member's functional area such as market share, employee turnover, employee satisfaction, implementations of new concepts, etc.

The payment and the size of the bonus will depend on the fulfilment of the agreed targets for the current year and will be paid out at the end of the vesting period.

For 2022, the Board of Directors has chosen to use the Group's profit before tax as KPI for the cash bonus for all members of the Executive Board. The cash bonus is determined on the basis of the actual profit before tax for 2022.

The cash bonus may not exceed a maximum of four months' fixed salary for each individual member of the Executive Board. Fixed salary includes base salary and pension. Each year, a bonus scale is agreed upon for each individual member of the Executive Board.

For the financial year 2022, a total cash bonus of DKK 5,300,000 was paid to the Executive Board, corresponding to 100% of the maximum payout.

### KPI for cash bonus to the Executive Board

DKK thousand Name and position	Description of KPI	Weighting of KPI	Performance	Achievement of target	Actual cash bonus award
Niels A. Johansen, CEO	Organic profit before tax	100%	100%	Above target	1,800
Per Toelstang, CFO	Organic profit before tax	100%	100%	Above target	1,000
Stefan Funch Jensen, CDO	Organic profit before tax	100%	100%	Above target	750
Lili Johansen, CHRO	Organic profit before tax	100%	100%	Above target	1,000
Gitte Lindeskov, CIO	Organic profit before tax	100%	100%	Above target	750

### 3.4 Long-term incentives

To ensure the Executive Board members' focus on the long-term business strategy, the sustainability of the Company and the alignment of shareholders' interests with those of the Executive Board, the Board of Directors may grant share options or similar share-based rights to members of the Executive Board.

The share-based programs can be granted both as a single grant and repeated annual grants.

At the time of grant, the value of the share-based program calculated in accordance with the Black-Scholes model or a similar recognised valuation model may not exceed the value of the individual Executive Board member's fixed salary and pension for the current year.

The maturity period is a maximum of three years from grant date with a subsequent exercise period of no more than 10 years.

The Board of Directors determines the specific grant terms, including any exercise price, exercise date and number as well as relevant goals.

Primarily, the goals comprise long-term financial results such as gross margin, profit before tax, cash flow from operations, etc., but they may also include share price performance and targets for the individual Executive Board member's functional area such as market share, employee turnover, employee satisfaction, implementation of new concepts, etc.

The maturity, payout and size of share-based programs will depend on the achievement of the agreed goals.

The purpose is to motivate and reward the members of Executive Board for contributing to achieving the long-term goals that have been adopted by AO. However, up to 20% of the value of the annual share-based remuneration calculated at the time of grant, cf. above, to be obtained by an individual member of the Executive Board for each year during the stipulated maturity period may be granted on the one condition the Executive Board member in question remains employed by the Group subject to the good leaver and bad leaver provisions determined by the Board of Directors.



No share options, etc., may be granted, if the intended grant, plus the value (at their grant date) of previously granted and not matured programs, in total, exceeds the annual salary and pension of the Executive Board member in question on the date of grant.

If the Executive Board is granted share options, the share options are hedged by treasury shares owned by the Company, or if this is not sufficient, through the acquisition of treasury shares.

<b>Share-based remuneration to the Executive Board – Free Restricted Shares</b>										
DKK thousand.										
Name and position	Program	Time of grant	Maturity time	Granted instruments 2022	Matured instruments 2022	Number of instruments at the end of 2022	Share price at grant date	Value at grant date	Value at maturity date	Value at the end of 2022
Niels A. Johansen, CEO	-	-	-	-	-	-	-	-	-	-
Per Toelstang, CFO	2022	March 2022	March 2025	14,340	-	14,340	113.00	1,408	-	1,192
Stefan Funch Jensen, CDO	2022	March 2022	March 2025	9,300	-	9,300	113.00	913	-	773
Lili Johansen, CHRO	2022	March 2022	March 2025	11,565	-	11,565	113.00	1,136	-	961
Gitte Lindeskov, CIO	2022	March 2022	March 2025	9,165	-	9,165	113.00	900	-	762x

The free restricted shares are granted with a maturity period of three years, and vesting is conditional upon the Executive Board member's continued employment. Delivery of the share is free of charge and cannot be replaced by other forms of payment.

### 3.5 Non-monetary benefits

The members of the Executive Board are offered a number of customary work-related non-monetary benefits such as free travel, etc. The extent of individual benefits is negotiated with each individual member of the Executive Board within the guidelines laid down by the Board of Directors, and it will not exceed 6% of the fixed annual salary, including pension, for the individual executive.

In addition, the members of the Executive Board are covered by a life and accident insurance taken out by AO.

### 3.6 Claw-back

In certain cases, variable components of remuneration awarded or paid to an Executive Board member may be reclaimed, in full or in part, by AO.

Certain cases include, but are not limited to, material misstatement in AO's annual report where the Executive Board member has been in bad faith or where it is assessed that the Executive Board member has exceeded his or her powers and inflicted a material loss on AO.

In the financial year 2022, no variable components of remuneration were reclaimed.



#### 4 Remuneration – comparative overview

The development in the remuneration of the Board of Directors and the Executive Board from 2021 to 2022 is summarized in the table below.

<b>Comparison of remuneration and Company performance</b>				
<b>DKK thousand Financial performance, Parent Company</b>	<b>2022</b>	<b>Annual change 2022 vs 2021</b>	<b>Annual change 2021 vs 2020</b>	<b>Annual change 2020 vs 2019</b>
Revenue	5,093,723	+ 12% vs 2021	+ 18% vs 2020	+ 17% vs 2019
Profit before tax	363,980	+ 17% vs 2021	+ 49% vs 2020	+ 49% vs 2019
Cash flow from operations	201,265	- 28% vs 2021	- 18% vs 2020	+ 23% vs 2019
Share price	83.11	- 39% vs 2021	+ 125% vs 2020	+ 74% vs 2019
<b>Executive Board</b>				
Niels A. Johansen, CEO	12,539	+ 6% vs 2021	+ 5% vs 2020	+ 5% vs 2019
Per Toelstang, CFO* and **	6,987	+ 63% vs 2021	+ 6% vs 2020	N/A
Stefan Funch Jensen, CDO**	4,566	+ 38% vs 2021	+ 7% vs 2020	+ 8% vs 2019
Lili Johansen, CHRO**	5,625	+ 37% vs 2021	+ 5% vs 2020	+ 7% vs 2019
Gitte Lindeskov, CIO**	4,503	+ 38% vs 2021	+ 9% vs 2020	+ 12% vs 2019
<b>Board of Directors</b>				
Henning Dyremose, Chairman	1,050	+ 0% vs 2021	+ 17% vs 2020	0% vs 2019
Michael Kjær, Deputy Chairman	787,5	+ 0% vs 2021	+ 17% vs 2020	0% vs 2019
Erik Holm, Board member	525	+ 0% vs 2021	+ 17% vs 2020	0% vs 2019
Preben Damgaard, Board member ***	350	+ 0% vs 2021	+ 17% vs 2020	0% vs 2019
Niels A. Johansen, Board member	350	+ 0% vs 2021	+ 17% vs 2020	0% vs 2019



<b>Comparison of remuneration and Company performance</b>				
<b>DKK thousand</b> <b>Financial performance, Parent</b> <b>Company</b>	<b>2022</b>	<b>Annual change</b> <b>2022 vs 2021</b>	<b>Annual change</b> <b>2021 vs 2020</b>	<b>Annual change</b> <b>2020 vs 2019</b>
René Alberg, Employee representative	175	+ 0% vs 2021	+ 17% vs 2020	0% vs 2019
Leif Hummel, Employee representative	175	N/A	N/A	N/A
Marlene L. Jakobsen, Employee representative	175	N/A	N/A	N/A
<b>Average remuneration of Company employees (FTE)</b>				
Employees, excl. members of the management	517	+ 1.9% vs 2021	+ 2.6% vs 2020	+ 2.2% vs 2019

\*Per Toelstang has been serving as the Company's CFO since 1 February, 2020, and therefore his remunerations for 2020 only covers the period from 1 February to 31 December 2020. Changes in remuneration from 2020 to 2021 are calculated on the basis of annualised amounts

\*\*The annual change from 2021 to 2022 is affected by the full value of the grant of free restricted shares in 2022. The vesting period is 3 years, and as of 31 December 25% of the grant has been vested.

\*\*\*Preben Damgaard resigned from the Board of Directors on 19 November 2022, which is why his remuneration is lower than the previous year. The monthly remuneration was unchanged compared to 2021.



## 5 Statement by the Board of Directors

The Board of Directors has today considered and approved the Remuneration Report of Brødrene A & O Johansen A/S for the financial year 2022.

The Remuneration Report has been prepared in accordance with section 139 b of the Danish Companies Act.

The Remuneration Report is submitted for an advisory vote at the Annual General Meeting.

Albertslund, 22 February, 2023

### Board of Directors

Henning Baunbæk Dyremose  
Chairman

Michael Kjær  
Deputy Chairman

René Alberg

Erik Holm

Leif Hummel

Marlene L. Jakobsen

Niels A. Johansen



## 6 Independent auditor's statement on the remuneration report

To the Shareholders of Brødrene A & O Johansen A/S

According to section 139 b of the Danish Companies Act, Management is responsible for preparing a remuneration report in accordance with the remuneration policy adopted at the General Meeting.

Our opinion on the audit of the Consolidated Financial Statements and the Parent Company Financial Statements does not include the remuneration report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements and the Parent Company Financial Statements for 2022, it is, however, our responsibility pursuant to section 147 of the Danish Companies Act to verify that all disclosures required under section 139 b(3) of the Danish Companies Act are included in the Company's remuneration report for 2022.

We found no reason to point out any omissions with respect to the disclosures included in the remuneration report for 2022.

Hellerup, 22 February, 2023

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

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