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# **REMUNERATION POLICY**

**for the Board of Directors and the Executive Board**

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**BRØDRENE A & O JOHANSEN A/S**

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Denmark

CVR (Central Business Register) No.: 58210617

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# 1 Introduction

Brødrene A & O Johansen A/S' (hereinafter called AO) remuneration policy for the Board of Directors and the Executive Board describes the principles for payment of remuneration to the Board of Directors and the Executive Board. The Executive Board means the executive officers registered with the Danish Business Authority.

The objectives of this remuneration policy are:

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

The Board of Directors is responsible for drawing up the remuneration policy and ensures that it meets its objectives.

The remuneration policy for AO's Board of Directors and Executive Board is drawn up making allowances for the salaries and terms of employment of the other employees and the responsibilities of the Board of Directors and the Executive Board. In drawing up the remuneration policy, attention has also been paid to the special structure of the Company and to the fact that the ratio between the total remuneration of the management and the other employees may not differ significantly from similar listed Danish companies.

# 2 Remuneration of the Board of Directors

Each member of the Board of Directors receives a fixed annual base fee.

Once a year, the Board of Directors reviews the Directors' fees based on recommendations from the Remuneration Committee.

The Remuneration Committee bases its recommendations on relevant comparisons with other companies of the same size and complexity, taking into consideration the competency and performance requirements for the Board of Directors, including the number of meetings and the participation in committees.

Members of the Board of Directors receive a fixed annual remuneration 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 Board of Directors' remuneration for each financial year is to be approved at the Annual General Meeting. Proposals for the Board of Directors' remuneration for the

coming financial year are also to be presented at the Annual General Meeting for approval.

## **2.1 Fixed remuneration**

Members of the Board of Directors elected by the employees receive the same remuneration as the members elected by the General Meeting.

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

Members of the Nomination and Remuneration Committees receive a fee which can constitute up to 20% of the base fee.

A separate fee is paid to members of the Board of Directors holding directorships or other management posts in the subsidiaries of the Company.

## **2.2 Remuneration for specific tasks**

If individual Board members take on specific tasks outside their normal duties assigned by the Board of Directors, the Remuneration Committee may recommend to the Board of Directors that they approve a remuneration for such tasks.

## **2.3 Incentive programs**

The members of the Board of Directors are not offered any bonus or incentive programs.

## **2.4 Pension**

The remuneration of the Board of Directors does not include contributions to pension schemes.

# **3 Remuneration of the Executive Board**

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 consists of:

- Fixed salary
- Short-term incentive pay
- Long-term incentive pay
- Pension
- Personal benefits (company car etc.)

All components are described in more detail below, including the relative share of each component.

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

The remuneration of the Executive Board contributes to AO's business strategy, long-term interests and sustainability through the use of relevant short- and long-term key financial performance indicators, strategic goals and the development of the Company's share price, cf. below.

Once a year, the Board of Directors reviews the remuneration of the Executive Board and based on this and recommendation from the Remuneration Committee, they set the criteria for the Executive Board's incentive pay for the coming year.

The Executive Board's incentive pay is evaluated annually by the Board of Directors in accordance with the predetermined criteria. The degree of achievement of objectives is determined by the Board of Directors on recommendation from the Chairmanship.

### **3.1 Fixed salary and pension schemes**

Each member of the Executive Board is paid a fixed annual salary based on among other things seniority and experience as compared to the market level of other relevant companies of similar size, complexity and structure.

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.

### **3.2 Personal benefits**

A number of usual work-related benefits are available to the members of the Executive Board, e.g., company car, 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.

### **3.3 Variable remuneration components**

#### **3.3.1 Short-term incentive pay**

Short-term incentive pay includes cash bonus based on performance over a 12-month period. The purpose of the short-term incentive pay is to motivate and reward the Executive Board in order 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 targets for the individual Executive Board member's functional area such as market share, employee turnover, employee satisfaction, implementation of new concepts, etc. In addition, goals can be set for the ESG performance.

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

The short- and long-term cash bonus may not exceed a maximum of five months' fixed salary for members of the Executive Board.

### 3.3.2 *Long-term incentive programs*

Long-term incentive programs include long-term cash bonus and the grant of share options or similar share-based programs.

The purpose of the long-term incentive pay is to ensure the Executive Board's focus on the long-term business strategy, the sustainability of the Company and the alignment of shareholders' interests with those of the Executive Board.

#### *Long-term cash bonus*

The Board of Directors may decide to set performance targets for the cash bonus, cf. point 3.3.1, which extends beyond one year. It may take 2-5 years to achieve the set targets, and thus they become long-term. In such cases the targets will typically consist of strategic targets, long-term projects, development and implementation of new concepts, transformation of functions, etc.

The size of the bonus payment is determined and paid out at the end of the vesting period.

#### *Share-based programs*

The Board of Directors may decide to grant share options or similar share-based rights to any member 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, cf. point. 3.1.

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, cf. point 3.1.

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.

In this remuneration policy the grant date is understood to be the date when the share-based program in question is introduced, regardless of any later maturity and exercise periods.

### **3.3.3 *Reclaim of variable components of remuneration***

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.

## **3.4 Termination and severance**

Members of the Executive Board are employed without a time limit, but with a mutual right to terminate employment.

AO may terminate the employment of a member of the Executive Board by giving 12 months' written notice. A member of the Executive Board may terminate the employment with the Company by giving six months' written notice.

The total remuneration for the notice period, including any severance pay, may not exceed two years' total remuneration, including all remuneration components.

Agreements on special remuneration can be made with members of the Executive Board in the event of a change of control.

#### **4 Deviation from the remuneration policy**

In certain cases, the Board of Directors may temporarily deviate from the remuneration policy if factual and verifiable evidence indicates that this is necessary to serve the long-term interests of the Company and its shareholders.

Certain cases include, but are not limited to, changes in the Executive Board, change of control or merger, and acquisition/disposal of subsidiaries. The deviation could include the size of cash bonus payments, severance payments or share-based programs.

In order to deviate from the remuneration policy, there must be a reasoned recommendation from the Remuneration Committee, and the Board of Directors must agree on approving the recommendation.

At the next General Meeting, the Board of Directors must explain any deviation from the remuneration policy and the reason for it.

If the deviation from the remuneration policy is of a character that cannot be considered temporary, and therefore should be covered by the remuneration policy, an amended proposal for a remuneration policy will be submitted at the next General Meeting.

#### **5 Process, review and implementation**

The Remuneration Committee reviews the remuneration policy annually and ensures that the policy continues to support AO's strategic goals and that there are overlapping interests between the Company's shareholders, the Board of Directors and the Executive Board in both the short and the long term.

Once a year, the Remuneration Committee submits the conclusions of their review to the entire Board of Directors, including proposals for possible changes to the remuneration policy to be considered and approved by the entire Board of Directors.

In the event of changes to the remuneration policy, the Executive Board can be consulted, but the Executive Board has no decision-making powers in relation to the remuneration policy.

In order to ensure independence and avoid conflicts of interests, a member of the Board of Directors or Executive Board may not participate in the decision-making process regarding an agreement between AO on the one hand and the relevant member of the Board of Directors or the Executive Board on the other hand.

As the remuneration of the Board of Directors consists solely of a fixed fee, which is approved by the general meeting, it is the Company's opinion that there is no risk of



conflicts of interests in connection with the Board of Directors work with the remuneration policy.

The remuneration policy is submitted for approval by the General Meeting in the case of any material change and at least every four years.

## **6 Publication and entry into force**

This remuneration policy was approved by the shareholders at the Annual General Meeting on 21 March 2025.

This remuneration policy is available on AO's website ([www.AO.dk](http://www.AO.dk)).