



Brødrene A & O Johansen A/S

Remuneration Report

Financial Year 2020



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1 Introduction

The Board of Directors has today approved the Company's Remuneration Report for the financial year 2020.

The Report has been prepared in accordance with section 139 b of the Danish Companies Act and section 4.2.3 in Recommendations on Corporate Governance issued by the Danish Corporate Governance Committee.

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 2020. 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 20 March 2020, which is available on the Company's website, <https://ao.dk/globalassets/download/regnskabsdata/2020/remuneration-policy-2020.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 is contained in the audited annual report for the Company and the Group for the financial year 2020, 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 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.

Remuneration of the Board of Directors for the financial year 2020						
DKK thousand Name and position	Annual fee	Committee fee	Allowances	Benefits	Subsidiaries	Total remuneration
Henning Dyremose, Chairman Audit Committee	300	300	0	0	300	900
Michael Kjær, Deputy Chairman Audit Committee	225	225	0	0	225	675
Erik Holm, Board member Audit Committee	150	150	0	0	150	450
Preben Damgaard, Board member Audit Committee	150	150	0	0	150	450
Niels A. Johansen, Board member	150	0	0	0	150	300
René Alberg, Board member Employee representative	150	0	0	0	0	150
Carsten Jensen, Board member Employee representative	150	0	0	0	0	150
Jonas Kvist, Board member Employee representative	150	0	0	0	0	150
TOTAL REMUNERATION	1,425	825	0	0	975	3,225

No remuneration for specific tasks has been paid to members of the Board of Directors for the financial year 2020.

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 2020, 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 2020						
DKK thousand Name and position	Fixed remuneration			Variable remuneration		Proportion of fixed and variable remuneration
	Base salary	Benefits	Pension	Cash bonus	Total remuneration	
Niels A. Johansen, CEO	9,036	44	1,337	900	11,317	92 % / 8%
Per Toelstang, CFO*	2,599	159	289	700	3,746	81% / 19%
Stefan Funch Jensen, CDO	2,174	141	326	450	3,091	85% / 15%
Lili Johansen, CHRO	2,858	44	289	700	3,891	82% / 18%
Gitte Lindeskov, CIO	2,064	147	316	450	2,978	85% / 15%
TOTAL REMUNERATION	18,731	535	2,557	3,200	25,023	87% / 13%

*Per Toelstang has been serving as the Company's CFO since 1 February, 2020, and therefore his remunerations only covers the period from 1 February to 31 December 2020.

In 2020, only short-term incentive pay in the form of cash bonus has been used. Total remuneration of the Executive Board is determined on the basis of the experience of each individual executive and a market-related assessment.

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 2020, 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 2020.

The cash bonus may not exceed a maximum of four months' fixed salary for each individual member of the Executive Board.

For the financial year 2020, a total cash bonus of DKK 3,200,000 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	Relative weighting of KPI	Performance	Achievement of target	Actual cash bonus award
Niels A. Johansen, CEO	Profit before tax	100%	100%	Above target	900
Per Toelstang, CFO	Profit before tax	100%	100%	Above target	700
Stefan Funch Jensen, CDO	Profit before tax	100%	100%	Above target	450
Lili Johansen, CHRO	Profit before tax	100%	100%	Above target	700
Gitte Lindeskov, CIO	Profit before tax	100%	100%	Above target	450
TOTAL REMUNERATION					

3.4 Long-term incentives

In 2020, members of the Executive Board have not been granted long-term share-based incentive programs.

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 2020, 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 2019 to 2020 is summarized in the table below.

Comparison of remuneration and Company performance		
DKK thousand Financial performance, Parent Company	2020	Annual change 2019 vs 2020
Revenue	3,831,704	+ 17% vs 2019
Profit before tax	208,680	+ 32% vs 2019
Cash flow from operations	330,336	+ 23% vs 2019
Share price	604	+ 74% vs 2019
Executive Board		
Niels A. Johansen, CEO	11,317	+ 5% vs 2019
Per Toelstang, CFO*	3,746	N/A
Stefan Funch Jensen, CDO	3,091	+ 8% vs 2019
Lili Johansen, CHRO	3,891	+ 7% vs 2019
Gitte Lindeskov, CIO	2,978	+ 12% vs 2019
Board of Directors		
Henning Dyremose, Chairman	900	+ 0% vs 2019
Michael Kjær, Deputy Chairman	675	+ 0% vs 2019
Erik Holm, Board member	450	+ 0% vs 2019
Preben Damgaard, Board member	450	+ 0% vs 2019
Niels A. Johansen, Board member	300	+ 0% vs 2019

Comparison of remuneration and Company performance		
DKK thousand Financial performance, Parent Company	2020	Annual change 2019 vs 2020
René Alberg, Board member (employee representative)	150	+ 0% vs 2019
Carsten Jensen, Board member (employee representative)	150	+ 0% vs 2019
Jonas Kvist, Board members (employee representative)	150	+ 0% vs 2019
Average remuneration of Company employees (FTE)		
Employees, excl. members of the management	495	+ 2.2% vs 2019

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