

Remuneration report 2020

This remuneration report provides an overview of the total remuneration received by each member of the board of directors and of the executive board of Hartmann in 2020 with comparative figures for 2019. The remuneration report has been prepared in accordance with section 139b of the Danish Companies Act and Hartmann's remuneration policy, which was approved at the general meeting on 21 April 2020 and is available at www.hartmann-packaging.com.

The overall objective of the remuneration policy is to:

- ensure the alignment of the executive boards' interests with the interests of the company and of its shareholders;
- motivate, retain and attract executive management members with the professional and personal skills needed for successful operation of the company;
- continuously maintain the executive board's motivation to meet the objectives set by the board of directors;
- contribute to promote the value creation in the company and thus support the company's business strategy; and
- contribute to supporting the company's purpose and sustainability, including the company's desire to run a proper and healthy business that creates well-being, a safe working environment, growth and development.

The information in this remuneration report has been derived mainly from the audited annual reports for 2019 and 2020, which are available at www.hartmann-packaging.com.

Overview of Hartmann's financial performance in 2020

Hartmann generated strong business performance and made financial headway in 2020 with a 9% increase in revenue to DKK 2,567 million and 73% growth in operating profit before special items and hyperinflation restatement to DKK 452 million, corresponding to a historically high profit margin of 17.5%. Investments stood at DKK 437 million compared to DKK 197 million in 2019.

Due to the strong development and fulfillment of the two financial targets, cash bonus to the executive board is paid based on 93% target fulfillment for 2020.

Remuneration to the board of directors

The annual remuneration to the board of directors must be in accordance with market practice for comparable enterprises taking into account the required skills, efforts, the nature of the work and responsibility.

Remuneration to the board of directors consists of a fixed fee, which is approved at the company's ordinary general meeting. Ordinary board members receive an annual base remuneration of DKK 225,000 per member. The deputy chairman receives 1.5 times the fixed annual base remuneration and the chairman 3 times the fixed annual base remuneration.

In addition, the separate fee for participation in the audit committee is a fixed fee, which is also approved by the company's ordinary general meeting. Ordinary members receive an annual fee of DKK 112,500 per member. The chairman receives DKK 337,500 corresponding to 1.5 times the base fee. No remuneration is paid to the members of the nomination and remuneration committee.

Board members who are assigned special ad hoc duties may receive a separate fee for this, but this option was not used in 2020. The Board of directors is not covered by a pension scheme and does not receive incentive pay or other benefits.

The remuneration for 2020 was approved by the general meeting on 21 April 2020.

Remuneration to individual board members 2019-2020

DKK thousand	Position	Year	Board	Committee	Total
Agnete Raaschou-Nielsen	Chairman and member of nomination and remuneration committee (till April 2020)	2020	225.0	-	225.0
		2019	675.0	-	675.0
Jan Klarskov Henriksen	Chairman and member of nomination and remuneration committee (chairman from April 2020)	2020	562.5	-	562.5
		2019	225.0	-	225.0
Jan Madsen	Member of the board and the audit committee (from April 2019)	2020	225.0	112.5	337.5
		2019	168.8	84.4	253.2
Jørn Mørkeberg Nielsen	Member of the board and the audit committee (till April 2019)	2020	-	-	-
		2019	75.0	37.5	112.5
Karen Angelo Hækkerup	Member of the board (from April 2019)	2020	225.0	-	225.0
		2019	168.8	-	168.8
Marianne Schelde	Member of the board and the audit committee (from April 2019)	2020	225.0	112.5	337.5
		2019	168.8	84.4	253.2
Steen Parsholt	Deputy chairman, chairman of the audit committee and member of the nomination and remuneration committee	2020	337.5	337.5	675.0
		2019	337.5	337.5	675.0
<i>Employee representatives</i>					
Andy Hansen	Member of the board (till April 2020)	2020	75.0	-	75.0
		2019	225.0	-	225.0
Danny Fleischer	Member of the board (from April 2020)	2020	168.8	-	168.8
		2019	-	-	-
Palle Skade Andersen	Member of the board	2020	225.0	-	225.0
		2019	225.0	-	225.0
Total remuneration 2020			2,268.8	562.5	2,831.3
Total remuneration 2019			2,268.9	543.8	2,812.7

The disclosed remuneration excludes reimbursed expenses that board members have incurred in connection with meeting activity in Hartmann.

Remuneration to the executive board

To attract and retain relevant management competencies, the elements of the executive board's remuneration have been determined in consideration of its work assignments and value creation as well as conditions in other comparable Danish listed companies. The remuneration package for the executive board consists of a fixed base salary, pension, short-term cash bonus as well as other usual fringe benefits. Each remuneration element is ranked on the basis of the desire to ensure Hartmann's continued positive development in both the short and the long term.

In 2020, the remuneration paid to the members of the executive board was based on:

- **Fixed salary** is market-consistent and determined on the basis of the executive board member's competencies, performance and experience, the scope of work and the responsibility associated with the position of each executive board member. Finally, a comparison is also made with the rate of pay rise for executives and other employees in the company.
- **Pension** is provided as a defined contribution plan and comprises up to 10% of the fixed salary.
- **Other benefits** include fringe benefits such as company car, internet connection at home, mobile phone, newspapers, and health insurance.
- **Short-term cash bonus** has been granted individually based on the level of achievement of specific financial and personal targets for the year and may be equal to a maximum of 50% of each participating member of the executive board's fixed annual salary.

In 2020, the variable remuneration was comprised solely of the aforementioned annual cash bonus plan. In due time, the board intends to make use of the remuneration policy's option to use both annual and multi-annual bonus components for the executive board to strengthen the alignment between total remuneration and the objective of generating high, long-term value creation. The board of directors furthermore considers if non-financial KPIs focused on sustainability should be introduced as part of the executive board members' variable remuneration. In 2020, the total remuneration of the executive board was compliant with the approved remuneration policy.

Remuneration to individual executive board members 2019-2020

DKK thousand	Position	Year	Fixed remuneration			Variable remuneration		Total
			Salary	Pension	Other benefits	Short bonus	Long bonus	
Torben Rosenkrantz-Theil	CEO	2020	3,768	377	182	1,749	0	6,076
		Share	62%	6%	3%	29%	0%	100%
		2019	3,557	355	182	1,608	0	5,702
		Share	63%	6%	3%	28%	0%	100%
Flemming Steen	CFO	2020	3,096	11	221	1,293	0	4,621
		Share	67%	0%	5%	28%	0%	100%
		2019	2,952	9	240	1,201	0	4,402
		Share	67%	0%	6%	27%	0%	100%
Total remuneration 2020			6,864	388	403	3,042	0	10,697
Total remuneration 2019			6,509	364	422	2,809	0	10,104

Short-term cash bonus to individual executive board members 2019-2020

DKK thousand	Position	Weight	2020		2019		
			Actual bonus	Maximum bonus	Weight	Actual bonus	Maximum bonus
Torben Rosenkrantz-Theil	CEO						
<i>KPIs:</i>							
Revenue		40%	619	754	40%	541	720
Profit margin		60%	1,130	1,130	60%	1,067	1,080
			1,749	1,884		1,608	1,800
Degree of achievement			93%		89%		
Flemming Steen	CFO						
<i>KPIs:</i>							
Revenue		40%	457	557	40%	404	540
Profit margin		60%	836	836	60%	797	810
			1,293	1,393		1,201	1,350
Degree of achievement			93%		89%		

The short-term cash bonus for individual members of the executive board is based on achievement of specific targets for Hartmann's revenue and profit margin before special items and restatement for hyperinflation in 2020. In 2020, the targets were specified as revenue of DKK 2.4-2.6 billion and profit margin of 10-12%. Both targets were reached with realised revenue of DKK 2,567 million and a profit margin of 17.5%.

Terms of notice and severance pay

Hartmann may terminate the executive service agreements of the members of Hartmann's executive board at 12 months' notice. In the event of a change of ownership of a controlling interest in the company, their notice of termination will be extended to 18 months effective from the date of transfer of control. The extended notice will apply for a period of 18 months after the transfer. No agreements have been entered into for the payment of severance pay in connection with resignation. However, agreements have been entered into on the payment of early retirement pay in the event of death during the current month's employment and up to 6 months' remuneration to the executive board member's spouse or cohabitant, or in the alternative children under 18 years of age.

In special circumstances, Hartmann may fully or partially reclaim reimbursement of variable remuneration (claw-back) from the relevant member(s) of the executive board whose payment has taken place on an incorrect or inaccurate basis. This has not been relevant in 2020 or 2019.

Comparison of remuneration and financial results 2019-2020

DKK thousand	2020	Change	2019
Executive board – remuneration			
Torben Rosenkrantz-Theil	6,076	7%	5,702
Flemming Steen	4,621	5%	4,402
Board of directors – remuneration			
Agnete Raaschou-Nielsen (till April 2020)	225	-67%	675
Jan Klarskov Henriksen	563	150%	225
Jan Madsen (from April 2019)	338	33%	253
Jørn Mørkeberg Nielsen (till April 2019)	0	-100%	113
Karen Angelo Hækkerup (from April 2019)	225	33%	169
Marianne Schelde (from April 2019)	338	33%	253
Steen Parsholt	675	0%	675
Andy Hansen (till April 2020)	75	-67%	225
Danny Fleischer (from April 2020)	169	-	-
Palle Skade Andersen	225	0%	225
Employees – average salary			
Hartmann's employees, parent company (FTE)		6%	
Hartmann's financial results			
Revenue, DKK million	2,567	9%	2,356
Profit margin, %	17.5	6.4%-pt.	11.1%

*The profit margin is calculated based on the operating profit before special items and restatement for hyperinflation.

Statement of the board of directors

The board of directors today considered and approved the remuneration report of Brødrene Hartmann A/S for the financial year ended 31 December 2020.

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

In our opinion, the remuneration report complies with the company's remuneration policy, which has been approved by the shareholders at the company's general meeting on 21 April 2020, and is free of material misstatement and deficiencies, whether due to fraud or error.

The remuneration report is submitted for an indicative vote at the company's general meeting.

Gentofte, 9 March 2021

Board of directors

Jan Klarskov Henriksen
Chairman

Steen Parsholt
Deputy chairman

Jan Madsen

Karen Angelo Hækkerup

Marianne Schelde

Danny Fleischer

Palle Skade Andersen

Independent auditor's report

To the shareholders of Brødrene Hartmann /S

We have examined whether management has fulfilled its obligations to disclose the information required by section 139b(3) of the Danish Companies Act in the company's remuneration report for 2020.

Management's responsibility

Management is responsible for the preparation of the remuneration report in accordance with section 139b of the Danish Companies Act and the remuneration policy adopted at the annual general meeting.

Further management is responsible for the internal control that the board of directors considers needed to prepare the remuneration report that is free from material misstatement and omissions, whether due to fraud or error.

Auditor's responsibility

It is our responsibility to express a conclusion on whether management has fulfilled its obligations to disclose the information required by section 139b(3) of the Danish Companies Act in the company's remuneration report.

We have conducted our examinations in accordance with ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, and additional requirements under Danish audit regulation to obtain reasonable assurance about our conclusion.

Deloitte Statsautoriseret Revisionspartnerselskab is subject to International Standard on Quality Control (ISQC) 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by FSR - Danish Auditors (Code of Ethics for Professional Accountants), which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our examinations included an examination of whether the remuneration report, to the extent relevant, includes the disclosures required by section 139b(3), items 1-6, of the Danish Companies Act for the remuneration of each member of management.

Our examinations have not included an examination of accuracy and completeness of the disclosures, and we do not express any conclusion on this.

Conclusion

It is our opinion that management has fulfilled its obligations to disclose, in all material respects, the information required by section 139b(3) of the Danish Companies Act in the company's remuneration report for 2020.

Copenhagen, 9 March 2021

Deloitte

Statsautoriseret Revisionspartnerselskab
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