

Remuneration report 2021

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 2021 with comparative figures for 2019 and 2020. 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 2021, 2020 and 2019, which are available at www.hartmann-packaging.com.

The remuneration report for 2020 was presented at the company's general meeting on 27 April 2021 and approved without comments.

Overview of Hartmann's financial performance in 2021

Hartmann increased revenue to DKK 2,744 million (2020: DKK 567 million) and secured operating profit before special items and hyperinflation restatement of DKK 250 million (2020: DKK 452 million), corresponding to a profit margin of 9.2% (2020: 17.5%) despite challenging market conditions. Investments including acquisitions stood at DKK 542 million (2020: DKK 437 million).

Due to the partial fulfillment of Hartmann's revenue target of DKK 2.7-3.0 billion for 2021, cash bonus to the executive board is paid based on 17% target fulfillment for 2021 (2020: 93%).

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 250,000 (2020: DKK 225,000) per member since the annual general meeting 2021. The deputy chairman receives 1.5 times the fixed annual base remuneration and the chairman 3 times the fixed annual base remuneration. The fee is paid quarterly in arrears based on the most recently approved annual fee.

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 125,000 (2020: DKK 112,500) per member since the annual general meeting 2021. The chairman receives DKK 375,000 (2020: 337,500) corresponding to 1.5 times the base fee. The fee is paid quarterly in arrears based on the most recently approved annual 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 2021. The Board of directors is not covered by a pension scheme and does not receive incentive pay or other benefits.

The remuneration for 2021 was approved by the general meeting on 27 April 2021.

Remuneration to individual board members 2019-2021

DKK thousand	Position	Year	Board	Committee	Total
Jan Klarskov Henriksen	Chairman (from April 2020)	2021	731.3	-	731.3
		2020	562.5	-	562.5
		2019	225.0	-	225.0
Steen Parsholt	Deputy chairman and chairman of the audit committee	2021	365.6	365.7	731.3
		2020	337.5	337.5	675.0
		2019	337.5	337.5	675.0
Jan Madsen	Member of the board and the audit committee (from April 2019)	2021	243.8	121.8	365.6
		2020	225.0	112.5	337.5
		2019	168.8	84.3	253.1
Marianne Schelde	Member of the board and the audit committee (from April 2019)	2021	243.8	121.8	365.6
		2020	225.0	112.5	337.5
		2019	168.8	84.3	253.1
Employee representatives:					
Danny Fleischer	Member of the board (from April 2020)	2021	243.8	-	243.8
		2020	168.8	-	168.8
		2019	-	-	-
Palle Skade Andersen	Member of the board	2021	243.8	-	243.8
		2020	225.0	-	225.0
		2019	225.0	-	225.0
Former members:					
Karen Angelo Hækkerup	Member of the board (from April 2019 till April 2021)	2021	77.1	-	77.1
		2020	225.0	-	225.0
		2019	168.8	-	168.8
Agnete Raaschou-Nielsen	Chairman and member of nomination and remuneration committee (till April 2020)	2021	-	-	-
		2020	225.0	-	225.0
		2019	675.0	-	675.0
Jørn Mørkeberg Nielsen	Member of the board and the audit committee (till April 2019)	2021	-	-	-
		2020	-	-	-
		2019	75.0	37.5	112.5
Andy Hansen	Member of the board (till April 2020)	2021	-	-	-
		2020	75.0	-	75.0
		2019	225.0	-	225.0
Total remuneration		2021	2,149.2	609.3	2,758.5
		2020	2,268.8	562.5	2,831.3
		2019	2,268.9	543.6	2,812.5

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 2021, 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 with a maximum of 45% for Flemming Steen.

In 2021, 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 2021, the total remuneration of the executive board was compliant with the approved remuneration policy.

Remuneration to individual executive board members 2019-2021

DKK thousand	Position	Year	Fixed remuneration			Variable remuneration		Total
			Salary	Pension	Other benefits	Short bonus	Long bonus	
Torben Rosenkrantz-Theil	CEO	2021	4,295	430	182	371	0	5,278
		Share	82%	8%	3%	7%	0%	100%
		2020	3,768	376	182	1,749	0	6,075
	Share	62%	6%	3%	29%	0%	100%	
	2019	3,557	354	182	1,608	0	5,701	
	Share	63%	6%	3%	28%	0%	100%	
Flemming Steen	CFO	2021	3,220	11	236	250	0	3,717
		Share	87%	0%	6%	7%	0%	100%
		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		2021	7,515	441	418	621	0	8,995
		2020	6,864	387	403	3,042	0	10,696
		2019	6,509	363	422	2,809	0	10,103

Short-term cash bonus to individual executive board members 2019-2021

DKK thousand	Position	Weight	2021		Weight	2020		Weight	2019	
			Actual bonus	Max bonus		Actual bonus	Max bonus		Actual bonus	Max bonus
Torben Rosenkrantz-Theil CEO										
<i>KPIs:</i>										
Revenue		40%	371	859	40%	619	754	40%	541	720
Profit margin		60%	0	1,289	60%	1,130	1,130	60%	1,067	1,080
			371	2,148			1,749	1,884		
Degree of achievement			17%				93%		89%	
Flemming Steen CFO										
<i>KPIs:</i>										
Revenue		40%	250	580	40%	457	557	40%	404	540
Profit margin		60%	0	869	60%	836	836	60%	797	810
			250	1,449			1,293	1,393		
Degree of achievement			17%				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 2021, the targets were specified as revenue of DKK 2.7-3.0 billion and profit margin of 14-17%, which were partly reached with realised revenue of DKK 2,744 million.

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 the 2019-2021 period.

Comparison of remuneration and financial results 2019-2021

DKK thousand	2021	Change	2020	Change	2019
Executive board – remuneration					
Torben Rosenkrantz-Theil	5,278	-13%	6,076	7%	5,702
Flemming Steen	3,717	-20%	4,621	5%	4,402
Board of directors – remuneration					
Jan Klarskov Henriksen (chairman from April 2020)	731	30%	563	150%	225
Steen Parsholt	731	8%	675	0%	675
Jan Madsen (from April 2019)	366	8%	338	33%	253
Marianne Schelde (from April 2019)	366	8%	338	33%	253
Karen Angelo Hækkerup (till April 2021)	77	-66%	225	33%	169
Agnete Raaschou-Nielsen (chairman till April 2020)	0	-100%	225	-67%	675
Jørn Mørkeberg Nielsen (till April 2019)	0	0%	0	-100%	113
<i>Medarbejdervalgte:</i>					
Palle Skade Andersen	244	8%	225	0%	225
Danny Fleischer (from April 2020)	244	44%	169	-	-
Andy Hansen (till April 2020)	0	-100%	75	-67%	225
Employees – average salary					
Hartmann's employees, parent company (FTE)	522	-1%	526	5%	499
Hartmann's financial results					
<i>Group:</i>					
Revenue, DKK million	2,744	7%	2,567	9%	2,356
Profit margin*, %	9.4	-8.1%-pt.	17.5	6.4%-pt.	11.1
<i>Parent company:</i>					
Revenue, DKK million	1,742	3%	1,697	24%	1,374
Profit margin*, %	10.4	-4.8%-pt.	15.2	9.8%-pt.	5.4

*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 2021.

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, 8 March 2022

Board of directors

Jan Klarskov Henriksen
Chairman

Steen Parsholt
Deputy chairman

Jan Madsen

Marianne Schelde

Palle Skade Andersen

Danny Fleischer

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 2021.

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 requirements for independence and other ethical requirements of the International Ethics Standards Board for Accountants' international Code of Ethics for Professional Accountants (IESBA code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, as well as ethical requirements applicable in Denmark.

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 2021.

Copenhagen, 8 March 2022

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kim Takata Mücke
State-Authorised Public Accountant
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