

Remuneration guidelines for the Board of Directors and the Executive Board, including general guidelines for incentive pay to the Executive Board

SCOPE OF THE GUIDELINES

These guidelines concern remuneration of the Board of Directors and the Executive Board registered at any time with the Danish Business Authority, including incentive pay (variable remuneration) to the Executive Board.

The guidelines have been drawn up pursuant to the requirements stipulated in section 139 of the Danish Companies Act as well as the applicable corporate governance recommendations, cf. "Recommendations on Corporate Governance" of 23 November 2017 issued by the Committee on Corporate Governance.

All remuneration agreements (whether they are new agreements or amendments to or prolongation of existing agreements) entered into after adoption of the guidelines by the general meeting shall adhere to these guidelines. Remuneration agreements entered into prior to adoption of these guidelines shall continue on the terms already agreed.

The Board of Directors may change or wind up an incentive pay scheme introduced in accordance with these guidelines. Any changes shall, however, comply with these guidelines.

OBJECTIVE OF THE GUIDELINES

The purpose of these guidelines is to create a framework that enables the implementation of remuneration packages that support both the short- and the long-term goals of the company and that ensures that the remuneration level is aligned with the shareholders' interest in increased value creation.

The interplay between the annual fixed salary and the incentive pay schemes making up the remuneration package offered shall be so that the various remuneration components collectively motivate management decisions that pursue increased value creation, but does so without leading to behaviour that pertains too high risks or involves illegal or unethical behaviour.

The Board of Directors has set up a Remuneration Committee that together with the Chairman of the Board of Directors assesses the Board of Directors' and the Executive Board's remuneration on an ongoing basis and reports to the Board of Directors on their findings.

The individual remuneration to members of the Board of Directors and members of the Executive Board shall be stated in the company's annual report.

BOARD OF DIRECTORS

The Board of Directors shall receive remuneration only in the form of a fixed cash fee. The fixed fee for a given financial year is approved by the annual general meeting in the financial year concerned.

The members of the Board of Directors shall not receive any type of incentive pay and they shall not be part of any pension scheme.

The annual standard fee for board members proposed by the Board to the annual general meeting shall be set at a level that is competitive and on a par with comparable companies, and so that the fee reflects the demands on and responsibilities of the members in view of the complexity of the business of the H+H Group as well as the time usually required for preparation for and attendance at board meetings, committee meetings etc. In light of the additional tasks and responsibilities of the Chairman and the Deputy Chairman, if any, the Chairman shall receive a standard fee that is 2 times and the Deputy Chairman, if any, an annual fixed fee that is 1.5 times the standard fee.

Travel and accommodation expenses, etc., in connection with board meetings and expenses are paid on submission of receipts.

EXECUTIVE BOARD

Remuneration components

The elements of the Executive Board's total remuneration are combined on the basis of market practice and the H+H Group's specific requirements at any given time. The Executive Board's remuneration shall consist of a combination of:

- A fixed annual salary (including pension contributions, if any); and
- Performance-based short-term incentive pay scheme(s) – i.e. cash incentives; and/or
- Performance-based long-term incentive pay scheme(s) – i.e. share-based incentives

In addition to the fixed salary and the incentive pay, the members of the Executive Board shall also receive work-related benefits in kind in accordance with normal market practices, including e.g. a company car, free telephone, broadband at home, news subscriptions, certain insurances (accident, health and directors & officers liability) etc.

The total remuneration to the executive board members is subject to annual assessment by the Chairman of the Board of Directors together with the Remuneration Committee. Factors that will be considered when assessing and determining the level and nature of the remuneration are e.g. the results achieved by the Executive Board, the H+H Group's size, the complexity of the business, remuneration market practices as well as the market remuneration level. The overall aim shall be to have a remuneration package that is sufficiently competitive to enable the company to attract and retain executive board members with the relevant qualifications as required at any given time to best take advantage of the H+H Group's opportunities and potential as well as counter the H+H Group's challenges.

Guidelines for fixed annual salary

The fixed salary shall be based on market levels and shall take into account the extent of possible performance-based incentive pay.

The executive board members do not receive any remuneration for directorships held in H+H subsidiaries.

General guidelines for performance-based incentive pay

The performance criteria to be fulfilled, in whole or in part, in order to earn incentive pay can be related to certain company-related key performance indicators (KPIs – i.e. EBITDA, EBIT, PBT, EPS, ROE, ROIC, increases in share price etc.) and/or certain individual key performance criteria, whether financial or non-financial in nature (e.g. execution of specific strategic projects (turnaround plans, acquisition plans, achievements within research & development etc.)).

The Board of Directors is of the opinion that the best way to motivate the Executive Board to ensure long-term value creation for the company's shareholders is to make a certain part of the executive board members' total remuneration conditional on the achievement of relevant performance criteria that are defined by the Board of Directors from time to time in consideration of the company's strategy, opportunities and challenges as well as the specific long-term financial targets announced in the company's financial reports. The performance criteria are specifically selected by the Board of Directors to ensure a connection between the incentive pay and long-term value creation for the company's shareholders.

The total incentive pay (short-term incentive pay and long-term incentive pay) that an executive board member potentially can achieve pursuant to the annual pool of the incentive pay programmes may, when valued at the time of the initiation of the vesting period for the annual pool, not exceed 85% of the executive board member's fixed annual salary in the specific financial year. The value in relation to share-based incentive pay shall be calculated in accordance with the International Financial Reporting Standards (IFRS), including the Black-Scholes model for the value calculation for share options.

Payment of incentive pay earned by the end of a financial year may not take place until after the independent auditors' report has been received and the annual report for the financial year in question has been approved by the Executive Board and the Board of Directors.

The specific incentive pay contracts entered into with each executive board member shall include wording to the effect that the company, in exceptional cases, shall be able to reclaim in full or in part the incentive pay paid on the basis of data, which proved to be manifestly misstated.

Short-term incentive pay schemes (cash-based)

Executive board members may participate in short-term incentive pay schemes in the form of annual cash bonuses.

The annual cash bonuses' yearly performance criteria shall be set by the Board of Directors and the criteria shall support fulfilment of the company's short-term goals. Relevant performance criteria may be company-related results such as e.g. Earnings Before Interest and Tax (EBIT), Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), Profit Before Tax (PBT), net working capital, and/or the performance criteria may be measurable personal results of a financial or non-financial nature.

Long-term incentive pay schemes (share-based)

Executive board members may participate in long-term incentive pay schemes in the form of share-based programmes such as matching shares or share options.

The design of the share-based incentive schemes shall reflect their general purpose, i.e. to support fulfilment of the company's long-term growth and earnings in order to ensure that shareholders' interests are met as best possible. To support the overriding purpose of pursuit of long-term growth and earnings, share-based incentive schemes shall always have a vesting period of more than one year, and exercise of any gain may not take place until around 3 years from the initiation of the vesting period, unless the initiation of the vesting period was delayed due to one or more trading windows being closed to the executive board member. Furthermore, the primary performance criteria shall be company-related key performance indicators.

If a *matching share programme* is established, the executive board member shall invest in H+H shares at market value. These H+H shares, invested in by the executive board member, may subsequently and on certain conditions be matched for free with H+H shares after a set vesting period. The vesting period shall be around 3 years, and the number of matching H+H shares vesting shall depend on the degree of fulfilment within the vesting period of the set performance criteria. However, the maximum number of matching H+H shares possibly vesting may not exceed 3 H+H shares per H+H share invested in and still held by the executive board member by the end of the vesting period. The matching H+H shares vesting may be settled in H+H shares and/or in cash with an amount equal to the value of the matching H+H shares not being settled in H+H shares as decided by the Board of Directors. The programme may set an annual minimum investment requirement for each executive board member's participation in the programme. The maximum annual investment allowable under the programme shall be an amount equal to 15 % of the executive board member's annual fixed salary at the time of investment.

If a *share option programme* is established, each share option shall give the board member a right to buy from the company one H+H share. The number of share options that will be granted shall depend upon fulfilment of performance criteria defined by the Board of Directors. The executive board member shall pay a price in order to receive the share option. The exercise price of a share option shall be above the market value of the H+H shares at the date of grant. The share options shall not be exercisable until around 3 years after the date of grant, and the share options shall expire if not exercised no later than around 5 years from the date of grant.

The exercise price for a share option and/or the number of granted share options or matching H+H shares shall be adjusted before grant in case of payment of dividend or corporate actions that dilute the value of the H+H shares prior to grant.

Share-based incentive schemes may be established on tax terms whereby the executive board member's profit from participation in the scheme will be taxed as share profit and having as a consequence that the company cannot receive a tax deduction for the costs of the share-based incentive scheme.

Share-based incentive schemes may at the discretion of the Board of Directors include provisions allowing for accelerated and amended vesting criteria in certain extraordinary circumstances such as takeover, mergers, acquisitions, divestments or the like.

At the discretion of the Board of Directors, and taking account of the company's liquidity and other investment requirements, the company intends to cover the H+H shares likely to have to be provided by the company to the executive board members pursuant to share-based incentive schemes on an ongoing basis through the company's purchase of H+H shares during the vesting period.

The share-based schemes that the Board of Directors approves pursuant to these guidelines shall be described in more detail in an announcement at establishment of each programme as well as in connection with executive board members' entries and grants under the scheme and shall be reported on each year in the company's annual report.

Termination of employment

In the event of the company's termination of the employment relationship, an executive board member may receive payment during the notice period in an amount equal to up to 12 months' fixed salary and incentive pay, in addition to termination payment, if any, in an amount equal up to 12 months' fixed salary. However, in case the company's termination of the employment relationship takes place in connection with or within a period of 2 years from a takeover or a delisting of the company, an executive board member may receive payment during the notice period in an amount equal to up to 12 months' fixed salary and incentive pay in addition to termination payment, if any, in an amount equal to up to 24 months' fixed salary.

Adopted by the annual general meeting on 19 April 2018.

Thomas Weincke
Chairman of the meeting

This is a translation of the Remuneration guidelines in Danish.

In case of inconsistency between the Danish text and this English translation the Danish text shall prevail.