

Remuneration Report

H+H International A/S
2020



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All amounts stated are stated in DKK, gross, unless otherwise indicated.

This remuneration report provides a specified overview of the remuneration received in 2020 by each member of the Board of Directors and the Executive Board (i.e. the persons registered for H+H International A/S as members in the registry of the Danish Business Authority).

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

The remuneration report will be presented for an advisory vote at the annual general meeting on 26 March 2021.



1.0 Introduction

The remuneration policy seeks to create a remuneration framework for H+H International A/S's Board of Directors and Executive Board that supports achievement of the Group's strategy, with a focus on ensuring the continuous long-term sustainable development of H+H's business, while creating long-term value for shareholders.

Despite the unique challenges faced from the COVID-19 pandemic, 2020 was a year in which H+H delivered a satisfactory financial performance. Organic growth was negative 6%, primarily driven by lockdown measures in the UK in the beginning of the year as well as a general softening of the Polish market. EBIT before special items decreased by 7% year-on-year to DKK 332 million, which was within the original guidance set out in the beginning of the year. The early and resolute implementation of a comprehensive resilience plan aimed at mitigating the many risks and uncertainties related to the COVID-19 pandemic, enabled H+H to deliver an EBIT margin before special items of 13%, which is unchanged from 2019, despite the overall lower volumes.

The incentive remuneration of the executive board members is tied to the overall business performance, and how H+H is progressing towards delivering stable financial performances while at the same time driving further consolidation on the European white-stone market with a primary focus on Germany.

This Remuneration Report provides a summary of the remuneration policy for the Board of Directors and the Executive Board as well as detailed information of how

it has been implemented for our Board of Directors and Executive Board in 2020. More information regarding H+H's strategy and 2020 performance can be found in the annual report for 2020.

Remuneration Committee priorities in 2020

H+H's remuneration packages are designed to attract, motivate and retain competent members of the Board of Directors and the Executive Board and to promote a passionate, dedicated leadership team for working together in order to realise H+H's continued growth ambitions and meet the Group's short-term and long-term targets.

In 2020, the Remuneration Committee focused on the development and subsequently the implementation of the new remuneration policy adopted by the annual general meeting on 2 April 2020.

In addition, the Remuneration Committee focused on the establishment of the new long-term incentive program ("LTIP") and well as the restructuring of the short-term incentive program ("STIP") in order to create consistency across the top levels of the organisation and support both short-term and long-term strategic and financial targets.

2.0 Remuneration objectives and principles

Summary of remuneration policy for Board of Directors and Executive Board

The remuneration policy for H+H International A/S (H+H) was adopted at the annual general meeting on 2 April 2020 and is available at www.HplusH.com/remuneration-policy and was made to ensure compliance with sections 139 – 139a of the Danish Companies Act.

The overall objective of the remuneration policy is to provide a remuneration framework that supports successful execution of the H+H group strategy by enabling remuneration terms:

- That attract, motivate and retain competent members of the Board of Directors and the Executive Board – the remuneration shall be competitive, but not market-leading compared to the remuneration in comparable companies and groups with international activities;
- That allow the Board of Directors to define KPIs for short-term incentive programs (STIP) and long-term incentive programs (LTIP) that guide and motivate the Executive Board to execute on the strategic objectives in an efficient manner and without accepting unreasonable risks thereby contributing to the long-term sustainability of H+H; and
- That strike a balance and interplay between the components of the remuneration package that together with the defined KPIs ensure alignment between the incentives of the Executive Board and H+H, and thus the shareholders' interests.

The Board of Directors has established a Remuneration Committee that assists the Board of Directors in developing, implementing and continuously complying with the remuneration policy. The Charter of the Remuneration Committee as well as a description of the key matters handled by the Remuneration Committee for the latest financial year is available at www.HplusH.com/board-committees.



3.0 Remuneration of the Board of Directors

Remuneration components

Based on the remuneration policy approved at the annual general meeting in 2020, the Board of Directors receives annual remuneration in the form of:

- annual fixed fee for the work in the Board of Directors
- annual fixed fee for work in board committees

The annual board fee consists of a basic board fee to all members, but where the chairman receives 3 x the basic fee and the deputy chairman (if any) 1.5 x the basic fee.

The annual board committee fee consists of a basic committee fee, but where the chairman of the Audit Committee receives 2 x the basic fee.

The annual remuneration fee levels are decided by the annual general meeting for the specific financial year.

A member of the Board of Directors may receive a fixed remuneration for special ad hoc duties outside of the normal scope of duties and assigned to a board member by the Board of Directors.

The members of Board of Directors do not receive any incentive-based remuneration, retention or severance pay.

The board members do not receive any travel allowance, but H+H reimburses reasonable travel, accommodation and other expenses related to board meetings, board committee meetings and other activities related to the Board of Directors and the board committees.

Board remuneration 2020

There was no change in the composition of the Board of Directors during 2020.

The annual board fees and board committee fees for 2020 were approved at the annual general meeting on 2 April 2020.

	(DKK thousand)				2020	
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Total 2020	Total 2019
Kent Arentoft	825 (Chair)	-	0 ¹	75 ¹	900	650
Stewart Baseley	275	-	-	75	350	325
Volker Christmann	275	-	75	-	350	325
Pierre-Yves Jullien	275	75 ¹	-	0 ¹	350	325
Miguel Kohlmann	275	-	75	-	350	325
Helen MacPhee	275	150 (Chair)	-	-	425	325
Total	2,200	225	150	150	2,725	2,275

¹ The fee covers work in two committees – for Kent Arentoft the Remuneration Committee and the Nomination Committee and for Pierre-Yves Jullien the Audit Committee and the Nomination Committee.

4.0 Remuneration of the Executive Board

Remuneration terms and remuneration components

In accordance with the remuneration policy the executive board members' remuneration consists of the following components:

Current annual remuneration components for executive board members	Remuneration policy – annual maximum value allowed
Fixed salary (currently no pension contributions)	N/A
Ordinary benefits (cell phone, cell phone and broadband subscriptions, health insurance etc.)	N/A
Non-ordinary benefits (currently only a company car for each executive board member)	Max. value ~ 10% of annual fixed salary
Cash-based short-term incentive program	Max. value ~ 40% of annual fixed salary
Share-based long-term incentive program	Max. value at initiation ~ 60% of annual fixed salary

The allocation among the remuneration components and the total remuneration to each executive board member is subject to annual assessment by the Remuneration Committee and any adjustments are decided by the Board of Directors.

The aim of the remuneration package is that it shall, at all times, be sufficiently competitive to enable H+H to attract, motivate and retain executive board members with the relevant qualifications and to ensure both short-term and long-term high-level performance by the Executive Board.

With a larger value allocation for the long-term incentive program (up to 60%) than the short-term incentive program (up to 40%) there is sufficient motivation to achieve the annual strategic targets, while still ensuring that the primary focus of the executive board members remains the long-term sustainable profitability of H+H in line with the long-term strategy and the interests of the H+H shareholders. Alignment with shareholder interests is further enhanced by having 3-year revolving vesting periods for the share-based LTIP, since this ensures that a large part of an executive board member's remuneration is continuously dependent on the share price development of the H+H share. The share-based LTIP also acts as a retention measure, since if an executive board member resigns without the company being in breach, the member's participation in programs not yet vested shall end without compensation.

The members of the Executive Board are employed for an unlimited term, but they can terminate their employment by 6 months' notice till the end of a calendar month. H+H can terminate their employment by giving 12 months' notice till the end of a calendar month. H+H shall pay severance pay equal to 12 months' fixed salary by the end of the notice period to CEO Michael T Andersen in case he is terminated without being in breach of his employment duties. However, the severance pay shall equal 24 months' fixed salary if the termination notice is given by the company less than 24 months after takeover of the company (as defined in the employment contract). There is no separate compensation for any non-competition obligations or similar. In case of the death of an executive board member, H+H shall pay remuneration to the dependants (e.g. husband/wife) equal to 3 months' fixed salary and pro-rated incentive pay.

4.0 Remuneration of the Executive Board

Remuneration

There was no change in the composition of the Executive Board during 2020.

From 2 April 2020 when the remuneration policy was approved by the general meeting and until end of 2020, the Board of Directors has not decided on any deviations from the remuneration policy.

Likewise, the Board of Directors does not find there to be any reason for any claw-back claims for the remuneration for 2020 against any member of the Board of Directors or the Executive Board.

2020	Fixed remuneration		Variable remuneration		Total remuneration	Fixed remuneration	Variable remuneration
	Fixed salary	Other benefits ¹	Short-term cash bonus (earned) ²	Long-term share-based bonus (granted) ³			
DKK thousand							
Michael T Andersen, CEO	3,900	211	1,288	1,425	6,824	60%	40%
Peter Klovgaard-Jørgensen CFO	2,300	152	759	841	4,052	61%	39%
Total⁴	6,200	363	2,047	2,266	10,876		

¹ Taxable value of benefits.

² Earned for 2020 - payable in March 2021 after announcement of the annual report for 2020.

³ Value of share-based LTIP is defined as the number of maximum PSUs (i.e. all PSUs granted under the 2020 program) multiplied by the expected KPI achievement on the grant date multiplied by the average share price for the first 10 business days from the time of announcement of the annual report for the previous financial year. Michael T Andersen, CEO, was granted 23,400 PSUs and Peter Klovgaard-Jørgensen, CFO, 13,800 PSUs.

⁴ Former CFO Ian Perkins stopped as CFO 31 August 2019 but continued to receive remuneration until the end of his notice period 31 May 2020. The remuneration included fixed salary, pension, other benefits, cash bonus and in 2020 also severance pay. Share-based bonus is not included, since he did not participate in the long-term share-based incentive programs initiated in 2019 and in 2020. The remuneration made up DKK thousand 3,665 for 2020 and DKK thousand 3,975 for 2019.

4.0 Remuneration of the Executive Board

KPI achievement for the incentive programs in 2020

2020	KPIs ¹	Weight of KPI	Michael T Andersen, CEO	Peter Klovgaard-Jørgensen, CFO
			KPI achievement ⁴	KPI achievement ⁴
Short-term bonus (earned in 2020)				
Max. value ~ 40% annual fixed salary	Group EBIT %	0-37.5%	37.5%	37.5%
	Group nominal EBIT	0-37.5%	28.4%	28.4%
	Group non-financials ²	0-25.0%	16.7%	16.7%
Total		0-100.0%	82.6%	82.6%
Long-term bonus (PSUs granted in 2020)⁵				
Max. value at initiation ~ 60% annual fixed salary	ROIC ratio	0-33.3%	33.3%	33.3%
	EBIT ratio	0-33.3%	23.1%	23.1%
	Peer benchmark ³	0-33.3%	26.5%	26.5%
Total		0-100.0%	82.9%	82.9%

¹ All KPIs have targets, that most often are an interval, but that can also be binary. A bonus qualifier applies to each KPI, meaning that a qualifying threshold is determined for each KPI's target (e.g. a minimum value or a certain event), and if that threshold is not achieved, then no bonus is earned on that specific KPI. The targets set for the short-term incentive program are one-year targets for the financial year being reported, whereas the targets set for the long-term incentive program are 3 year targets set at the time of initiation of the 3 year program.

² Group non-financial KPIs related to e.g. health & safety, strategic growth etc.

³ KPI achievement for peer benchmark is fixed at initiation of the programme in accordance with IFRS 2.

⁴ KPI achievement stated for short-term bonus is the actual achievement for 2020, whereas it is the achievement expected as at 31 December 2020 for the long-term bonus vesting in 2023.

⁵ Michael T Andersen, CEO, was granted 23,400 PSUs and Peter Klovgaard-Jørgensen, CFO, 13,800 PSUs.

5.0 Annual change – management pay, results and CEO pay-ratio

DKK thousand	2020	2019
Board of Directors		
Total remuneration	2,725	2,275
Change year-on-year	20%	-
Executive Board		
CEO - remuneration	6,824	7,120
Change year-on-year	-4%	-
CFO – remuneration	4,052	3,895 ¹
Change year-on-year	4%	-
H+H Group results²		
Revenue	2,654	2,840
Change year-on-year	-7%	-
Nominal EBIT bsi	332	366
Change year-on-year	-9%	-
EBIT % bsi	13%	13%
Change year-on-year	0 pct. point	-
ROIC (incl. goodwill)	18%	20%
Change year-on-year	-2 pct. point	-
H+H International A/S non-executives		
Total average annual remuneration (incl. bonus, benefits etc.)	1,903	2,120
Change year-on-year	-10%	-
Ratio - CEO pay vs. average non-executive pay		
CEO : average non-executive in H+H International A/S	3.5	3.2

¹ The CFO started employment from 1 June 2019 and therefore only received remuneration for 7 months, so to enable proper comparison, the remuneration amount has been adjusted to cover 12 months by doing an increased relative to the actual remuneration for the 7 months of employment to reflect the remuneration for a 12 months period.

² Definitions as stated in the annual report 2020.

6.0 Shareholdings

Pending share-based long-term incentive programs

Board of Directors

In line with Recommendations on Corporate Governance issued by the Danish Committee on Corporate Governance the members of the Board of Directors are not part of any incentive programs in H+H International A/S.

Executive Board

Members of the Executive Board participate in a share-based long-term incentive program which through 2019 was a matching share program and from 2020 a performance share unit (PSU) program.

KPIs shall apply for all share-based long-term incentive programs, and the KPIs are determined at initiation of a program. A minimum threshold (no bonus earned below the threshold) apply to all KPIs, except for binary KPIs (if any) where the KPI is either fulfilled or not fulfilled. The vesting period for both types of programs (matching share and PSU) is typically approx. 3 years from initiation and the programs are revolving with a program being initiated each year, typically at announcement of the annual report for the previous financial year.

At initiation of a matching share program each executive board member had to invest privately held H+H shares in the program of a value equal to 3-10% of the member's annual fixed salary at initiation and based on the average share price for the first 10 trading days after initiation of the program. Every H+H share invested into the program gives the member the possibility to receive 0 - 3 H+H shares (matching shares) depending on the extent of achievement of the KPIs determined at initiation of the program. Assuming 3 matching shares are earned during the vesting period for each H+H share invested by an executive board member, the maximum value at initiation equals 30% of the member's annual fixed salary at the time of initiation.

At initiation of a PSU program each executive board member is granted a number of PSUs equal to a maximum value of 60% of the member's annual fixed salary at the time of initiation. The grant of PSUs is free of charge for the participants, however, the Board of Directors may decide for future programs that the executive board members must own a certain number of H+H shares to be eligible to be granted PSUs under a new program. The number of PSUs vesting by the end of the vesting period depends on the extent of achievement of the KPIs determined at initiation of the program when the PSUs are granted. Each PSU that vests holds a right to one H+H share free of charge.

When H+H shares vest under a share-based long-term incentive program, H+H International A/S can decide if they want to settle by transferring H+H shares to the participants and/or payment of cash based on the share price on the date of vesting.

Executive board members ¹	Vesting period	Matching shares expected to vest ²	PSUs expected to vest ²	Expected market value ³ (DKK thousand)
Michael T Andersen, CEO	2018 - 2020	2021: 10,173	-	1,343
	2019 - 2021	2022: 16,551	-	2,185
	2020 - 2022 ⁴	-	2023: 19,404	2,561
Peter Klovgaard-Jørgensen, CFO	2019 - 2021	2022: 5,883	-	777
	2020 - 2022 ⁴	-	2023: 11,443	1,510

¹ Former CFO Ian Perkins was a so-called good leaver, meaning he continued to be part of the matching share program initiated in 2018 and vesting in March 2021. Ian Perkins earns 6,045 H+H shares under the program with an expected market value of DKK thousand 798.

² For 2021 the number of shares is the actual number of matching shares that will vest. For 2022 and 2023, it is the number of matching shares or PSUs expected to vest – actual number of matching shares and PSUs vesting depends on extent of fulfilment of the KPIs by end of the vesting period.

³ Value based on the share price at end of 31 December 2020 - i.e. DKK 132 per share.

⁴ KPI achievement for peer benchmark is fixed at initiation of the programme in accordance with IFRS 2.

6.0 Shareholdings

Shares owned by management in 2020

Below is an overview of shares owned by members of the Board of Directors and the Executive Board during 2020

DKK thousand	Start 2020	Bought or vested 2020	Sold 2020	End 2020	Market value end 2020 ¹
Board of Directors					
Kent Arentoft (Kata Group ApS)	40,000	20,000	-	60,000	7,920
Stewart Baseley	19,000	-	-	19,000	2,508
Volker Christmann	-	-	-	-	-
Pierre-Yves Jullien	-	-	-	-	-
Miguel Kohlmann	-	-	-	-	-
Helen MacPhee	-	-	-	-	-
Total	59,000	20,000	-	79,000	10,428
Executive Board					
Michael T Andersen, CEO	41,000	7,810 ²	-	48,810	6,443
Peter Klovgaard-Jørgensen, CFO	2,839	-	-	2,839	375
Total	43,839	7,810	-	51,649	6,818

¹ Share price at 31 December 2020 - i.e. DKK 132 per share.

² Vested March 2020 under matching share program 2017 – 2019.

Statement by the Board of Directors

The Board of Directors has today considered and approved the remuneration report of H+H International A/S for the financial year 1 January – 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 is in accordance with the remuneration policy adopted at the Annual General Meeting on 2 April 2020, and is free from material misstatements and omissions, whether due to fraud or error.

The remuneration report will be presented for an advisory vote at the Annual General Meeting for 2021.

Copenhagen, 4 March 2021

Board of Directors

Kent Arentoft
(Chairman)

Stewart A Baseley

Volker Christmann

Pierre-Yves Jullien

Miguel Kohlmann

Helen MacPhee

Independent auditor's report

To the shareholders of H+H International A/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, 4 March 2021

Deloitte

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