



Remuneration Report 2021

H+H International A/S



Table of Contents

1.0	Introduction	3
2.0	Remuneration objectives and principles	4
3.0	Remuneration of the Board of Directors	5
4.0	Remuneration of the Executive Board	6
5.0	Annual change – management pay, results and CEO pay-ratio	8
6.0	Shareholdings	9
	Statement by the Board of Directors	11
	Independent auditor's report	12

This remuneration report provides a specified overview of the remuneration received in 2021 by each member of the Board of Directors and the Executive Board (i.e. the persons registered 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 31 March 2022.

Other 2021 reports



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1.0 Introduction

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 2021.

The Remuneration Report for 2020 was H+H's first ever remuneration report, and it was presented for approval as an advisory vote at the Annual General Meeting on 26 March 2021, and it was endorsed by a majority with 71.72% of the votes cast in favour of the Remuneration Report, 24.61% were against and 3.67% abstained. In addition, H+H has received positive and constructive feedback on the Remuneration Report for 2020 from shareholders and proxy advisors, and based on that a more detailed description of the KPIs for the incentive programs is provided in this Remuneration Report for 2021.

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.

2021 was a year in which H+H delivered a strong financial performance, with solid organic growth and the highest-ever EBIT in company history. Organic growth amounted to 13%, compared to -6% in 2020, and EBIT before special items amounted to DKK 408 million compared to DKK 332 million in 2020. These strong financial results were driven by high activity and strong demand throughout the year. While faced with the continued inflation of certain input costs, related especially to transport and the

price of certain raw materials, H+H benefitted from the combination of solid cost resilience and a continued focus on sales-price increases and delivered an EBIT margin before special items of 14% - up 1 pct. point from 2020.

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 also compared to peers, while at the same time pursuing various ESG strategy targets such as improvements within health & safety and CO₂ reduction to help achieve H+H's announced science-based targets under the Science Based Targets initiative (SBTi).

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.

Remuneration Committee priorities in 2021

In 2021, the Remuneration Committee focused on adjustments to the remuneration policy adopted by the annual general meeting in 2020 in order to ensure compliance with the new Danish corporate governance recommendations on remuneration. The changes decided by the Board of Directors were all deemed immaterial and favor H+H rather than the members of the Board of Directors and of the Executive Board. The changes made are described in an annex to the remuneration policy.

In addition, the Remuneration Committee focused on defining KPIs and targets for the long-term incentive program ("LTIP") initiated in March 2021 and by the end of the year also the KPIs and targets for the short-term incentive program ("STIP") to cover 2022.

2.0 Remuneration objectives and principles

Summary of remuneration policy for Board of Directors and Executive Board

The remuneration policy for Board of Directors and Executive Board in H+H International A/S is available at www.HplusH.com/remuneration and was made to ensure compliance with sections 139 – 139a of the Danish Companies Act and the Danish corporate governance recommendations. As mentioned in chapter 1.0, the remuneration policy was adopted by the annual general meeting in 2020 and subsequently adjusted on 12 May 2021 by the Board of Directors to ensure alignment with the new corporate governance recommendations. The adjustments were deemed immaterial and were all in favour of H+H's interests. The adjustments are described in an annex to the remuneration policy.

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 to 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 is available at www.HplusH.com/h-h-management.

3.0 Remuneration of the Board of Directors

Remuneration components

Based on the remuneration policy, 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 2021

There was no change in the composition of the Board of Directors during 2021.

The annual board fees and board committee fees for 2021 were approved at the annual general meeting on 26 March 2021.

	(DKK thousand)						
	2021					Total 2020	Total 2019
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Total 2021	Total 2020	Total 2019
Kent Arentoft	825 (Chair)	-	0 ¹	75 ¹	900	900	650
Stewart Baseley	275	-	-	75	350	350	325
Volker Christmann	275	-	75	-	350	350	325
Pierre-Yves Jullien	275	75 ¹	-	0 ¹	350	350	325
Miguel Kohlmann	275	-	75	-	350	350	325
Helen MacPhee	275	150 (Chair)	-	-	425	425	235
Henriette Schütze					-	-	90
Total	2,200	225	150	150	2,725	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 2021.

In 2021, 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 2021 against any member of the Board of Directors or the Executive Board.

	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	Total remuneration			
2021								
Michael T Andersen, CEO	4,000	213	1,467	2,029	7,709	55%	45%	
Peter Klovgaard-Jørgensen, CFO	2,500	152	917	1,267	4,836	55%	45%	
Total⁴	6,500	365	2,384	3,296	12,545			

¹ Taxable value of benefits.

² Earned for 2021 - payable in March 2022 after announcement of the annual report for 2021.

³ Value of share-based LTIP is defined as the number of maximum PSUs (i.e. all PSUs granted under the 2021 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 15,700 PSUs and Peter Klovgaard-Jørgensen, CFO, 9,800 PSUs.

KPI achievement for the incentive programs in 2021

2021	KPIs ¹	Weight of KPI	Michael T Andersen, CEO	Peter Klovgaard-Jørgensen, CFO
			KPI achievement ⁴	KPI achievement ⁴
Short-term bonus (earned in 2021)				
Max. value ~ 40% annual fixed salary	Group EBIT %	0-37.5%	37.5%	37.5%
	Group nominal EBIT	0-37.5%	37.5%	37.5%
	Group non-financials ²	0-25.0%	16.7%	16.7%
Total		0-100.0%	91.7%	91.7%
Long-term bonus (PSUs granted in 2021)⁵				
Max. value at initiation ~ 60% annual fixed salary	ROIC ratio	0-33.3%	33.3%	33.3%
	EBIT ratio	0-33.3%	23.5%	23.5%
	Peer benchmark ³	0-33.3%	23.6%	23.6%
Total		0-100.0%	80.4%	80.4%

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. When setting the targets, the potential values of three scenarios are considered, i.e. pessimistic = 0% KPI achievement, on target = 50% KPI achievement and optimistic = 100% KPI achievement.

² Group non-financial KPIs relate to employee safety, employee health, and strategic growth via mergers and acquisitions, respectively, each with a weighting of 8.33%.

³ KPI for peer benchmark is the Total Shareholder Return (TSR) development with 3 year targets being fixed at initiation of the programme in accordance with IFRS 2. The peer group comprises international building material producers.

⁴ KPI achievement stated for short-term bonus is the actual achievement for 2021, whereas it is the achievement expected as at 31 December 2021 for the long-term bonus vesting in 2024.

⁵ Michael T Andersen, CEO, was granted 15,700 PSUs and Peter Klovgaard-Jørgensen, CFO, 9,800 PSUs.

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

DKK thousand	2021	2020	2019
Board of Directors			
Total remuneration	2,725	2,725	2,275
Change year-on-year	0%	20%	-
Executive Board			
CEO - remuneration	7,709	6,824	7,120
Change year-on-year	13%	-4%	-
CFO – remuneration	4,836	4,052	3,895 ¹
Change year-on-year	19%	4%	-
H+H Group results²			
Revenue	3,020	2,654	2,840
Change year-on-year	14%	-7%	-
Nominal EBIT bsi	408	332	366
Change year-on-year	23%	-9%	-
EBIT % bsi	14%	13%	13%
Change year-on-year	1 pct. points	0 pct. points	-
ROIC (incl. goodwill)	20%	18%	20%
Change year-on-year	2 pct. points	-2 pct. points	-
H+H International A/S non-executives			
Total average annual remuneration (incl. bonus, benefits etc.)	1,701	1,903	2,120
Change year-on-year	-11%	-10%	-
Ratio - CEO pay vs. average non-executive pay			
CEO : average non-executive in H+H International A/S	4.2	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 2021. The results for H+H International A/S are not provided, since H+H International A/S has no real revenue due to being solely a holding company.

6.0 Shareholdings

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. 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 or a short period after announcement of the annual report for the previous financial year.

KPIs apply for all share-based long-term incentive programs, and the KPIs are determined at initiation of a program. 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.

When setting the targets, the potential values of three scenarios are considered, i.e. pessimistic = 0% KPI achievement, on target = 50% KPI achievement and optimistic = 100% KPI achievement.

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 3-15% 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 45% 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

Executive board members	Vesting period	Matching shares expected to vest ¹	PSUs expected to vest ¹	Expected market value ² (DKK thousand)
Michael T Andersen, CEO	2019 - 2021	2022: 16,551	-	3,807
	2020 - 2022 ³		2023: 21,809	5,016
	2021 - 2023 ³	-	2024: 12,633	2,906
Peter Klovgaard-Jørgensen, CFO	2019 - 2021	2022: 5,883	-	1,353
	2020 - 2022 ³	-	2023: 12,862	2,958
	2021 - 2023 ³		2024: 7,885	1,814

¹ For 2022 the number of shares is the actual number of matching shares that will vest. For 2023 and 2024, it is the number of PSUs expected to vest – actual number of PSUs vesting depends on extent of fulfilment of the KPIs by end of the vesting period.

² KPI for peer benchmark is Total Share Return (TSR) development and is fixed at end of 30 december 2021 - i.e. DKK 230 per share.

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

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.

6.0 Shareholdings

Shares owned by management in 2021

Below is an overview of shares owned by members of the Board of Directors and the Executive Board during 2021

DKK thousand	Start 2021	Bought or vested 2021	Sold 2021	End 2021	Market value end 2021 ¹
Board of Directors					
Kent Arentoft (Kata Group ApS)	60,000	-	-	60,000	13,800
Stewart Baseley	19,000	3,500	-	22,500	5,175
Volker Christmann	-	-	-	-	-
Pierre-Yves Jullien	-	-	-	-	-
Miguel Kohlmann	-	-	-	-	-
Helen MacPhee	-	-	-	-	-
Total	79,000	3,500	-	82,500	18,975
Executive Board					
Michael T Andersen, CEO	48,810	6,851 ²	-	55,661	12,802
Peter Klovgaard-Jørgensen, CFO	2,839	840	-	3,679	846
Total	51,649	7,691	-	59,340	13,648

¹ Share price at 30 December 2021 - i.e. DKK 230 per share.

² Vested March 2021 under matching share program 2018 – 2020.

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 2021.

Board of Directors

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

Kent Arentoft
(Chairman)

Stewart A Baseley

Volker Christmann

In our opinion, the remuneration report is in accordance with the remuneration policy adopted by the annual general meeting as subsequently adjusted in accordance with the new corporate governance recommendations, and is free from material misstatements and omissions, whether due to fraud or error.

Pierre-Yves Jullien

Miguel Kohlmann

Helen MacPhee

The remuneration report will be presented for an advisory vote at the Annual General Meeting for 2022.

Copenhagen, 3 March 2022

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 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, and 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, 3 March 2022

Deloitte

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