

Remuneration principles for SKAKO A/S
- Spring 2019 -

Contents

Introduction.....	3
Remuneration of the Board of Directors.....	3
Process.....	3
Fee	3
Travel allowance and other expenses	3
Incentive programs.....	4
Remuneration of the Executive Management	4
Process.....	4
Composition	4
Purpose.....	4
Size of the components	5
STIP - Short-term Incentive Program.....	5
LTIRP – Long-term Incentive and Retention Program	6
Pension	6
Other benefits	6
Termination of employment	6
Severance payment	6
Overview of remuneration of Board of Directors and Executive Management	7

Introduction

It is the Company's policy to offer a competitive remuneration in order to attract, retain and motivate qualified individuals in the market in which SKAKO competes for executive talent.

Remuneration provided has been designed to align the interests of the individuals with those of the shareholders as well as to promote and support SKAKO's vision in the short and long term.

The Principles apply to the Board of Directors and Executive Management. Executive Management includes all executives registered with the Danish Business Authority.

Remuneration of the Board of Directors

Process

The Board of Directors annually reviews remuneration for members of the Board of Directors in respect of the current and next calendar year based on a recommendation from the Chairmanship.

When preparing its recommendation, the Chairmanship will evaluate board fees against relevant benchmarks of Danish and other Nordic companies similar to SKAKO in size and complexity.

Remuneration for the past year and the remuneration level for the current year are approved by the annual general meeting each year as a separate agenda item.

Information on the total remuneration granted to the Board of Directors, in the aggregate and on an individual basis, including information on travel allowance paid and expenses reimbursed, is disclosed in the annual report.

Fee

Board members shall receive a fixed annual base fee.

Board members shall receive a fixed amount (the base fee), while the Chairmanship receives a multiple thereof:

- a) The Chairman shall receive 2.67 times the base fee.
- b) The Deputy Chairman shall receive 1.33 times the base fee.

Service on the Audit Committee entitles board members to receive an additional fee:

- a) The chairman of the Audit Committee shall receive an additional fee of 0.33 times the base fee, and

Individual board members may take on specific ad hoc tasks outside their normal duties for and at the instruction of the Board of Directors. In each such case the Board of Directors shall determine a fixed fee (e.g. per diem) for the work carried out related to those tasks. The fixed fee will be disclosed in the annual report and approved at the following annual general meeting.

Members of the Board of Directors are not offered any pension arrangements

Travel allowance and other expenses

Board members do not receive a fixed travel allowance.

All members of the Board of Directors receive reimbursement of reasonable expenses such as travel and accommodation in relation to board meetings.

Incentive programs

Members of the Board of Directors are not offered any type of incentive-based remuneration.

Remuneration of the Executive Management**Process**

Remuneration for members of the Executive Management is proposed by the Chairmanship and approved by the Board of Directors.

The individual remuneration packages are evaluated annually against relevant benchmarks of Danish and other Nordic companies similar to SKAKO in size and complexity.

Information on the total remuneration granted to Executive Management, in the aggregate and on an individual basis, including information on key elements of any retention and retirement schemes, is disclosed on the company website.

Composition

The remuneration package consists of a fixed annual base salary and variable elements consisting of short and long-term incentives. In addition, members of Executive Management receive a pension contribution and other benefits, this remuneration structure is deemed to be resilient in securing successful leadership in SKAKO whilst securing alignment with shareholder expectations.

Purpose

The fixed annual base salary is designed to attract, retain and motivate qualified individuals with professional and personal competences required to support SKAKO's performance. The fixed annual base salary is benchmarked to be competitive to ensure qualified individuals work towards the achievement of SKAKO's strategy.

The incentive pay elements are designed to align the interests of the Executive Management with the interests of the shareholders by providing incentives for the Executive Management to meet the strategic long and short-term goals of SKAKO as well as to promote value creation for the benefit of the shareholders. Granted incentive pay shall be based on actual achievements over a period of time and overall remuneration shall be competitive and aligned with local practice. When determining targets for the individual members of Executive Management market practice, budgets and long-term business plans shall be taken into consideration.

- a) The Short-Term Incentive Program (STIP) is designed to incentivise the individual member of Executive Management for individual performance within his/her functional area and to ensure short-term achievements in line with SKAKO's financial and operational targets.
- b) The Long-Term Incentive and Retention Programme (LTIRP) is designed to promote the collective performance of Executive Management and to align the interests of Executive Management with those of SKAKO's shareholders, as well as to ensure a balance between short-term achievements

and long-term thinking. Furthermore, the LTIRP facilitates greater share ownership for Executive Management thereby providing further alignment with shareholders.

The split between fixed and variable remuneration elements is intended to incentivise Executive management to achieve strategic objectives that create shareholder value both short-term and long-term, while at the same time promoting sound business decisions. The balance between the fixed and variable remuneration elements granted to each member of Executive Management is targeted to be broadly in line with market practice for benchmarked companies.

Pension contributions are made to promote an opportunity for members of Executive Management to build up an income for retirement.

Other benefits are added to ensure that overall remuneration is competitive and aligned with local practice.

Size of the components

The fixed annual base salary accounts for approximately 65 % to 85 % of the total value of the remuneration package. The interval states the span between "maximum performance" and the "performance below expectations". When each variable pay element reaches its maximum, base salary accounts for approximately 65 % to 70 % which is currently deemed to be a competitive incentive for Executive Management.

The STIP may result in a maximum annual grant equal to up to four months' fixed base salary including pension contribution.

The LTIRP is subject to value creation in SKAKO A/S. Thus, the LTIRP cannot be allocated an amount.

By balancing the components Executive Management is hereby incentivized to achieve both targets thereby aiming to generate both short-term and long-term shareholder value.

STIP - Short-term Incentive Program

STIP consists of a cash-based incentive linked to achievement of a number of predefined functional and individual business targets for each member of Executive Management. STIP aims to incentivize Executive Management towards the achievement of short-term financial and strategic targets, thereby aligning their interest to that of shareholders. The targets for the Executive Management are fixed by the Chairmanship. Targets may include key operational objectives on strategic targets and priorities, including growth, profit, cash flow, earnings per share, return on capital employed and total shareholder return. The degree of target achievement for each member of Executive Management is evaluated by the Chairmanship.

The calculation of cash-based incentives under the STIP - if any - will for a given year typically be based on the salary in December of the relevant member of Executive Management and becomes payable after announcement of the annual report for the subsequent year.

STIP is subject to recovery or 'claw-back' by SKAKO, provided the remuneration was paid on the basis of data which proved to be manifestly misstated due to wilful misconduct or gross negligence by the member of Executive Management. Claw-back in relation to the STIP is possible up to 12 months after the actual payment of the cash-based incentive.

LTIRP – Long-term Incentive and Retention Program

LTIRP consists of a warrants-based Incentive and Retention Program. When approved by the general meeting the Board of Directors have the option of granting each member of the Executive Management warrants in SKAKO A/S. Allocation to each member of the Executive Management is at the Board of Directors discretion within the boundaries approved by the general meeting. The chosen vehicle for LTIRP is warrants as SKAKO wishes to incentivize stable and sustainable returns, whilst ensuring Executive Management does not participate in an incentive program that could have little or no value. This further ensures Executive Management long-term interests and experience are aligned to those of shareholders.

Warrants under the LTIRP are allocated subject to a vesting period of at least three years. If a participant resigns during the vesting period, his or her warrants will be forfeit.

Pension

Members of Executive Management participate in a defined contribution pension plan with pension contribution of between 10 % and 25 % of the fixed annual base salary, including bonus. This provides a competitive post retirement package in a way that manages the overall cost to SKAKO. It is possible for Executive management to choose to have pension paid as salary instead.

Other benefits

Members of Executive Management receive a range of benefits which may include company cars, computers, phones etc. Allocation of such benefits is approved by the Chairmanship after delegation of powers from the Board of Directors.

Members of Executive Management may participate in customary employee benefit programmes, e.g. employee share purchase programmes.

Termination of employment

The employment of a member of Executive Management may be terminated by SKAKO by up to 12 months notice and the individual member by up to 6 months notice.

Severance payment

In the event of termination whether by SKAKO or by the individual member, due to a merger, acquisition or takeover of SKAKO, members of Executive Management may, in addition to the notice period, be entitled to receive a severance payment of up to 12 months' fixed base salary including pension contribution.

Overview of remuneration of Board of Directors and Executive Management

	Board of Directors	Executive Management
Fixed annual base fee	Yes	Yes
Fee for committee work	Yes	No
Fee for ad hoc tasks	Yes	Yes
STIP	No	Yes
LTIRP	No	Yes
Pension	No	Yes
Travel allowance	No	No
Other benefits	No	Yes
Severance pay	No	Yes

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These Remuneration Principles have been adopted by the Board of Directors of the Company and will be presented for approval by the general meeting on 25 April 2019.