

# REMUNERATION REPORT 2020



## Remuneration report for 2020

This remuneration report of TCM Group A/S (hereafter TCM Group) has been prepared in accordance with section 139 b of the Danish Companies Act. The report informs about the total remuneration granted to each of the members of the Board of Directors and Executive Management of the TCM Group for the last two financial years.

### About TCM Group

TCM Group is Scandinavia's third largest kitchen manufacturer, with headquarter in Denmark and selling through approximately 140 stores across Scandinavia. A major part of our business is concentrated in Denmark with Norway being the primary export market. The product offering includes kitchen, bathroom and storage solutions.

Manufacturing is to a large extent carried out in-house and more than 90% is manufactured to specific customer orders. Production sites are located in Denmark, with three factories in Tvis and Aulum (outskirts of Holstebro).

TCM Group pursues a multi-brand strategy, under which the main brand is Svane Køkkenet and the secondary brands are Tvis Køkkener, Nettoline, kitchn.dk and private label. Combined, the brands cover the entire price spectrum. Products are mainly marketed through a network of franchise stores and independent kitchen retailers.

### Remuneration policy

Remuneration paid during the financial year 2019 follows our remuneration policy approved on the extraordinary general meeting 7 November 2017. Remuneration paid during the financial year 2020 follows our remuneration policy approved on the annual general meeting 11 June 2020.

The current TCM Group Remuneration Policy and guidelines for incentive pay are available on our website at [governance-en.tcmgroup.dk](http://governance-en.tcmgroup.dk).

### Overview

Below is an overview of members of the Executive Management and Board of Directors during the two financial years (*crosses in brackets indicate joined/elected/resigned during the financial year*):

Members	2020	2019	Comments
<b>Executive Management</b>			
Torben Paulin (CEO)	(X)		Joined 1 March 2020
Ole Lund Andersen (CEO)	(X)	X	Resigned 28 February 2020
Mogens Elbrønd Pedersen (CFO)	X	X	
<b>Board of Directors</b>			
Sanna Mari Suvanto-Harsaae (Chairman)	X	X	
Anders Skole-Sørensen (Deputy Chairman)	X	X	
Peter Jelkeby		(X)	Resigned 31 January 2019
Carsten Bjerg	X	X	Elected 12 April 2018
Søren Mygind Eskildsen	X	X	Elected 12 April 2018
Danny Feltmann Espersen	X	(X)	Elected 11 April 2019

## **Board of Directors**

The Company is governed by the Board of Directors consisting of 4 to 6 directors elected by the general meeting.

### **Components**

Components of the remuneration to the Board of Directors are described in the Remuneration Policy and adopted at the Annual General meeting. The remuneration consists of the following components as listed below.

### **Fixed remuneration**

The ordinary members of the Board of Directors will receive a fixed annual fee approved by the general meeting. The chairman of the Board of Directors will receive 2.5 times the fixed annual fee and the deputy chairman 1.5 times the fixed annual fee.

An additional fee for members of the audit committee, the remuneration committee, and the nomination committee is paid as a multiple to the fixed annual fee as specified below:

	Chair	Member
Audit Committee	0.5x	0.25x
Nomination Committee	0.25x	0.125x
Remuneration Committee	0.25x	0.125x

In 2020 the fixed annual fee is DKK 250.000 for an ordinary member of the Board of Directors.

On presentation of vouchers, the Company will reimburse all travel and accommodation expenses incurred by a member of the Board of Directors while performing his/her board duties (including committee work).

Further, the Company will pay for such adequate and relevant training to each board member as is considered appropriate, having regard to his/her position.

### **Incentive pay**

The remuneration of the members of the Board of Directors does not include any incentive pay. However, employee-elected members of the Board of Directors may due to their employment be covered by general incentive schemes applicable to the employees of the Company (and group companies).

## Remuneration

Below is listed an overview of total remuneration to the Board of Directors for the last two years.

DKK'000

2020	Base fee	Audit Committee	Nomination Committee	Remuneration Committee	Other benefits	Total
	Sanna Mari Suvanta-Harsaae, Chairman	625	63	63	63	6
Anders Skole- Sørensen, Deputy Chairman	375	125	31	31	-	<b>563</b>
Carsten Bjerg	250	-	31	31	4	<b>317</b>
Søren Mygind Eskildsen	250	-	-	-	-	<b>250</b>
Danny Feltmann Espersen	250	-	-	-	6	<b>256</b>
<b>Total</b>	<b>1.750</b>	<b>188</b>	<b>125</b>	<b>125</b>	<b>16</b>	<b>2.204</b>

2019	Base fee	Audit Committee	Nomination Committee	Remuneration Committee	Other benefits	Total
	Sanna Mari Suvanta-Harsaae, Chairman	500	-	-	-	20
Anders Skole- Sørensen, Deputy Chairman	250	-	-	-	-	<b>250</b>
Carsten Bjerg	250	-	-	-	3	<b>253</b>
Søren Mygind Eskildsen	250	-	-	-	-	<b>250</b>
Danny Feltmann Espersen - Elected as of 11 April 2019	188	-	-	-	11	<b>199</b>
<b>Total</b>	<b>1.438</b>	-	-	-	<b>34</b>	<b>1.472</b>

## Executive Management

### Components

Components of the remuneration to the Executive Management are described in the Remuneration Policy and comprises of the following elements as listed below.

### Fixed annual base salary

The members of the Executive Management will receive a fixed annual salary as payment for their day-to-day performance.

The Executive Management will not be entitled to any further remuneration for assisting the Company's affiliated companies.

### Pension

The pension contribution of the Company may comprise a maximum of 25% of the fixed annual base salary. However, the pension contribution has been lower in both financial years.

### Variable incentive pay

In order to encourage common goals for the Executive Management and the shareholders of the Company and to ensure the long-term value creation in the Company as well as to meet the short- as well as the long-term goals the Board of Directors considers it appropriate that incentive schemes exist for the Executive Management. Such incentive schemes may comprise any form of variable remuneration, including share-based instruments such as shares, share options, warrants and phantom shares as well as non-share-based bonus agreements. Variable remuneration will be earned wholly or partly over a period of minimum three years. Any specific incentive agreements with members of the Executive Management will be subject to these guidelines.

### Short-term cash bonus

Annual bonus arrangements are one-year bonus schemes, which drive and reward delivery of short-term business objectives. The annual bonus payments are conditional upon compliance in full or in part with the terms and targets defined in the bonus agreement. These may comprise personal targets linked to the performance of the executive in question, the Company's delivery of annual business results, or the occurrence of a specific event.

The annual bonus schemes for the Executive Management may allow members to receive a bonus per financial year of up to 100% of the member's fixed annual salary.

The STI for 2020 is capped at 50% of the annual basic salary and is based on annual KPIs for revenue, EBITDA and NWC ratio.

#### STI bonus Executive Management for 2020:

STI 2020: (kDKK)	Weighted	CEO Torben Paulin		CFO Mogens Elbrønd Pedersen	
		Granted bonus	Maximum bonus	Granted bonus	Maximum bonus
KPI's:					
Revenue	30%				
EBITDA	55%				
NWC ratio	15%				
<b>Total</b>	<b>100%</b>	<b>575</b>	<b>1.150</b>	<b>427</b>	<b>854</b>
<b>Total bonus %</b>		<b>50%</b>		<b>50%</b>	

### Long-term incentive scheme

The long-term incentives are primarily designed to incentivize long-term performance, commitment and retention of the members of the Executive Management, as well as to promote alignment of the interests with the shareholders. The long-term incentives may result in a maximum payout per financial year equal to 100% of the member's fixed annual salary.

The LTI is applicable for the period 2018-2020. The LTI is cash based upon total absolute and relative shareholder return (annual target and three-year target) and EBITA (three-year target). The LTI is capped at 50% of the annual basic salary. When Torben Paulin joined the Company as new CEO as of 1 March 2020, he entered into this LTI for 2018-2020 and was granted a cash based LTI amount equal to a fair value of DKK 575 thousand (maximum DKK 1.150 thousand) for the remaining ten months of 2020. CFO Mogens Elbrønd Pedersen was in 2018 granted a cash based LTI amount equal to a fair value at the time of DKK 801 thousand (maximum DKK 1.602 thousand) for the three-year period for 2018-2020. The expected vesting level in percentage of the maximum LTI amount for Executive Management for 2020 is 36% to be paid out in February 2021.

### Other benefits and working tools

The Company will make a number of work-related benefits and working tools available to the members of the Executive Management, including but not limited to a mobile telephone, a company car, a computer and a broadband connection. The extent of such work-related benefits will be negotiated with each member of the Executive Management.

### Termination and severance pay

The Company may terminate the employment of a member of the Executive Management with the notice required to be given in the executive service agreement. The period of notice may not exceed 12 months.

Further, a member of the Executive Management may terminate his/her employment with the Company with the notice provided for in the executive service agreement.

Unless otherwise agreed in the executive service agreement, members of the Executive Management are not entitled to redundancy pay or compensation for voluntary or non-voluntary termination of employment. Such pay cannot exceed 3 months' salary.

### Remuneration

The development in the total remuneration during the last two financial years are presented below.

DKK'000

	Base salary	Pension cost	Other benefits	STI	LTI	Total
<b>2020</b>						
Torben Paulin, CEO - Joined as of 1 March 2020	2.208	276	287	575	575	<b>3.921</b>
Ole Lund Andersen, CEO - Resigned as of 28 February 2020	568	-	54	-	-	<b>622</b>
Mogens Elbrønd Pedersen, CFO	1.760	205	3	427	427	<b>2.822</b>
<b>Total</b>	<b>4.536</b>	<b>481</b>	<b>344</b>	<b>1.002</b>	<b>1.002</b>	<b>7.365</b>

	Base salary	Pension cost	Other benefits	STI	LTI	Total
<b>2019</b>						
Ole Lund Andersen	3.410	-	239	1.705	1.705	<b>7.059</b>
Mogens Elbrønd Pedersen, CFO	1.760	205	4	854	854	<b>3.677</b>
<b>Total</b>	<b>5.170</b>	<b>205</b>	<b>243</b>	<b>2.559</b>	<b>2.559</b>	<b>10.736</b>

## Financial key figures

<b>Group results</b> DKK'000	2020	2019
Profit before tax	130.720	142.357
Net profit for the year	102.243	111.322
Earnings per share	10,22	11,13

<b>Number of FTEs ex. Executive Management</b> DKK'000	2020	2019
FTE ex. Executive Management - number	481	487
Total cost for employees	222.997	223.595
Total cost for employees, ex. Board of Directors and Executive Management	213.428	211.559
Average remuneration	444	434

## **Statement by the Board of Directors**

The Board of Directors has considered and approved the remuneration report for the financial year 2020 for TCM Group A/S.

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, and is free from material misstatement and omissions, whether due to fraud or error.

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

Tvis, 16 March 2021

Board of Directors

Sanne Mari Suvanto-Harsaae  
Chairman

Anders Skole-Sørensen  
Deputy Chairman

Carsten Bjerg

Søren Mygind Eskildsen

Danny Feltmann Espersen



## **Independent Auditor's Report**

To the shareholders of TCM Group 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.

Aarhus, 16 March 2021

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