

REMUNERATION REPORT 2021



Remuneration report for 2021

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 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. Furthermore, TCM Group is supplier to the 45% owned e-commerce kitchen business Celebert, which operates under the brands kitchn.dk, billigskafe.dk, Celebert and Just Wood.

Remuneration policy and shareholder feedback on remuneration report

Remuneration paid during the financial year 2021 follows our remuneration policy approved on the annual general meeting 13 April 2021. The current TCM Group Remuneration Policy and guidelines for incentive pay are available on our website at governance-en.tcmgroup.dk.

At the same time the remuneration report for 2020 was submitted to the shareholders for an advisory vote. The remuneration report for 2020 was adopted without any comments.

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	2021	2020	Comments
Executive Management			
Torben Paulin (CEO)	X	(X)	Joined 1 March 2020
Ole Lund Andersen (CEO)		(X)	Retired 28 February 2020
Mogens Elbrønd Pedersen (CFO)	X	X	
Board of Directors			
Sanna Mari Suvanto-Harsaae (Chairman)	X	X	
Anders Skole-Sørensen (Deputy Chairman)	X	X	
Carsten Bjerg	X	X	
Søren Mygind Eskildsen	X	X	
Danny Feltmann Espersen	X	X	

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 2021 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). Reimbursements are generally insignificant and constituted in 2021 a total of DKK 10 thousand for the entire Board of Directors.

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.

Remuneration

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

DKK'000

2021	Base fee	Audit	Nomination	Remuneration	Total
		Committee	Committee	Committee	
Sanna Mari Suvanta-Harsaae, Chairman	625	63	63	63	813
Anders Skole- Sørensen, Deputy Chairman	375	125	31	31	563
Carsten Bjerg	250	-	31	31	313
Søren Mygind Eskildsen	250	-	-	-	250
Danny Feltmann Espersen	250	-	-	-	250
Total	1.750	188	125	125	2.188

2020	Base fee	Audit	Nomination	Remuneration	Total
		Committee	Committee	Committee	
Sanna Mari Suvanta-Harsaae, Chairman	625	63	63	63	813
Anders Skole- Sørensen, Deputy Chairman	375	125	31	31	563
Carsten Bjerg	250	-	31	31	313
Søren Mygind Eskildsen	250	-	-	-	250
Danny Feltmann Espersen	250	-	-	-	250
Total	1.750	188	125	125	2.188

2019	Base fee	Audit	Nomination	Remuneration	Total
		Committee	Committee	Committee	
Sanna Mari Suvanta-Harsaae, Chairman	500	-	-	-	500
Anders Skole- Sørensen, Deputy Chairman	250	-	-	-	250
Carsten Bjerg	250	-	-	-	250
Søren Mygind Eskildsen	250	-	-	-	250
Danny Feltmann Espersen - Elected as of 11 April 2019	188	-	-	-	188
Total	1.438	-	-	-	1.438

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 in 2021 has been lower than this level.

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 (STI)

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 2021 is capped at 50% of the annual basic salary and is based on annual KPIs for revenue, EBITDA and NWC ratio. The weighted ratio of the KPI's is split with a majority related to EBITDA, and the remaining part related to revenue and to a lesser extent NWC ratio.

The STI includes a threshold for the EBITDA target which, if not achieved, will result in no STI bonus to be paid, regardless of performance on other KPIs. The EBITDA achieved in 2021 did not exceed the threshold, and therefore no STI bonus is to be paid for the financial year 2021.

STI bonus Executive Management for 2021:

STI 2021: (kDKK)	CEO Torben Paulin		CFO Mogens Elbrønd Pedersen	
	Granted bonus	Maximum bonus	Granted bonus	Maximum bonus
Total	0	1.380	0	884
Total bonus %	0%		0%	

Long-term incentive scheme (LTI)

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 value per financial year equal to 50% of the member's fixed annual salary.

The LTI program consists of annually commencing individual Performance Share Unit Plans with a three-year performance period. At the end of the performance period, the performance share units may be converted into shares in TCM Group A/S, which will be granted free of charge. The commencement of each new plan is subject to a separate decision of TCM Group's Board of Directors. The company intends to use treasury shares to meet its obligations to deliver shares under the Performance Share Unit Plan.

The LTI is applicable for the period 2021-2023. The performance measures for the LTI are all three-year accumulative and consist of absolute total shareholder return of the Company's share, EBITDA, and carbon emission reduction. The LTI is capped at 50% of the annual basic salary for 2021, and corresponding to a total number of shares in TCM Group of 15,989.

The LTI program for 2021-2023 is to be paid out in 2024 depending on the performance on the above mentioned criterias.

The expected vesting level is depending on the performance in the future financial years, and at the time of issuance the expected vesting level of the maximum LTI amount for Executive Management for 2021 was set to be approximately corresponding to a granted value of 50% of the maximum LTI amount.

TCM Group has a right to reclaim, in whole or part, LTI allocations or rewards, from the participant (executive management) in the event of serious misconduct or if the allocation or reward was based on information, which subsequently proves to be incorrect. There has been no such event.

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 individual contract.

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 three financial years are presented below.

DKK'000

	Base salary	Pension cost	Other benefits	STI	LTI *	Total
2021						
Torben Paulin, CEO	2.759	233	319	-	690	4.001
Mogens Elbrønd Pedersen, CFO	1.808	150	283	-	442	2.683
Total	4.567	383	602	-	1.132	6.684

* LTI is estimated granted value of the LTI for the period 2021-2023, issued in 2021.

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

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

Financial key figures

Group results DKK'000	2021	2020	2019
Profit before tax	135,738	130,720	142,357
Net profit for the year	110,709	102,243	111,322
Earnings per share	11.55	10.22	11.13

Number of FTEs ex. Executive Management DKK'000	2021	2020	2019
FTE ex. Executive Management - number	502	481	487
Total cost for employees	237,691	222,997	223,595
Total cost for employees, ex. Board of Directors and Executive Management	228,809	213,428	211,559
Average remuneration	456	444	434

The parent company has no employees other than the Executive Management.

Statement by the Board of Directors

The Board of Directors has considered and approved the remuneration report for the financial year 2021 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, 25 February 2022

Board of Directors

Sanna 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 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.

Aarhus, 25 February 2022

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