



## EUOPRIS ASA

### GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES ANNUAL GENERAL MEETING 2023

Approved by the board of directors 1 February 2023

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## **1. General**

These guidelines for remuneration of senior executives have been prepared by the board of directors of Europris ASA (**Europris** or the **company**) in accordance with section 6-16a of the Norwegian Public Limited Liability Companies Act (the **Companies Act**) for consideration at the annual general meeting (AGM) on 20 April 2023, in accordance with section 5-6 (3) of the Companies Act. Subject to the approval of the AGM, these guidelines replace the previous remuneration guidelines approved at the AGM on 5 May 2021 and apply until new guidelines are adopted by the AGM, at the latest at the AGM in 2027. The material change of content is a revised definition of senior executives to reflect how management functions operate at group level and mandatory inclusion of at least one sustainability target as part of the basis for determining the short-term bonus.

These guidelines apply to the group management (senior executives), which at time of adoption of these guidelines comprises the group CEO and the group CFO. Remuneration of the board of directors is determined annually by the AGM and this remuneration consists only of fixed and pre-determined amounts.

## **2. How the guidelines advance the company's business strategy, long-term interests and sustainability**

Europris is Norway's largest discount variety retailer by sales. It offers its customers a broad range of quality private-label and branded merchandise across several product categories. Europris employs a low-cost operating model, with attention concentrated on efficiency across the entire value chain from factory to customer. The company aims to maintain a low cost base through optimised and efficient sourcing, logistics and distribution processes. Its key strategic initiatives are to (i) strengthen the price and cost position, (ii) improve the customer experience, (iii) drive customer growth and iv) be a responsible company. The group also comprises pure play online companies, which strengthen its presence online, allow for synergies through joint purchasing of products and services, and improve the product offering in the physical stores. More information on the company's strategic priorities can be found in its annual report and on its website ([www.investor.europris.no](http://www.investor.europris.no)).

To implement its strategy successfully and safeguard its long-term interests, the company must be able to recruit, develop and retain senior executives with relevant competence and expertise, and with advanced leadership skills. It is therefore important that the company offers its senior executives remuneration which is in line with the market and provides motivation. Remuneration will also be based on the competence, responsibility and performance of the senior executives. At the same time, it is fundamental to the company that its policies on executive payment ensure financial sustainability and that the overall level of remuneration does not put an unreasonable burden on its liquidity and equity.

These guidelines seek to provide a clear framework for the remuneration of senior executives, so that an environment which promotes the company's strategy and long-term goals can be developed and contribute to increased shareholder value.

## **3. The main principles of the company's remuneration policy for senior executives**

Remuneration of senior executives in Europris and any group companies will be determined on the basis of the following main principles.

### **3.1 Management remuneration shall be competitive, but not leading**

Remuneration of senior executives will, as a general guideline, be tailored to attract and retain skilled leaders. This remuneration (the sum of all pay and benefits received) should normally approximate to the average remuneration of comparable senior executives at similar businesses in the country where the executive

concerned resides. When determining management remuneration, proper consideration will be given to the company's financial position, and the level chosen will be defensible from the company's perspective.

### **3.2 Management remuneration should be motivational**

Europris is dependent on recruiting and retaining competent senior executives. Remuneration is structured to motivate senior executives to perform at their very best, and to promote the company's business strategy, long-term interests, results and sustainability.

## **4. Types of remuneration and principles for the benefits which can be offered**

In general, the remuneration consists of the following elements:

- regular pay
- variable remuneration
  - o short-term bonus
  - o long-term bonus
- pension benefits
- other benefits.

The company has sought to structure a remuneration plan to (i) motivate senior executives to strive to realise the company's strategic goals, including financial results and sustainability, (ii) be suitable to attract and retain skilled leaders, taking into account the market which the company participates in, (iii) approximate to the average for management salaries for comparable senior executives at similar businesses and in the relevant local market, and (iv) align remuneration of senior executives with the interests of the shareholders.

The company has no right to reclaim any paid remuneration, unless an error has been made. Should a senior executive resign, any remuneration awarded but not yet paid may be withheld.

### **4.1 Regular pay**

Regular pay is the fixed part of the remuneration. It is paid monthly and subject to an annual adjustment.

### **4.2 Variable remuneration**

Variable remuneration refers to the individual benefits which may be granted in addition to regular pay. It is designed to contribute to the company's business strategy and long-term interests, including sustainability, and to ensure alignment between senior executives and shareholders. Variable remuneration is therefore structured to be reasonably proportional to the company's performance, is linked to the company's share price over time and is designed so that the long-term scheme has a higher weight than the short-term scheme.

Total variable remuneration paid out in any financial year, ie, the sum of payments from both short- and long-term bonuses, may not exceed 12 months of regular pay.

Bonuses based on EBIT (earnings before interest and tax) performance will be measured on the basis of comparable EBIT, ie, excluding any structural growth not included in the previous year's figures or in the budget.

#### **4.2.1 Short-term bonus**

The company has a short-term bonus scheme. This scheme will be reviewed annually, but may be continued during the period covered by these guidelines. The maximum bonus award under this scheme is 4.5 months of

regular pay for the CEO and up to three months for other senior executives. Payments are not included in the basis for calculating holiday pay and pension.

A bonus is tied to the financial performance of Europris and other factors which the individual manager is able to influence. It is determined individually for each senior executive covered by this scheme on the basis of the following criteria.

- 70-90 per cent of the bonus is based on a financial criterion for the company: comparable EBIT achieved versus the figure budgeted. 50 per cent of the bonus is attained if the budget is met, with up to 100 per cent attained linearly up to the point where the budget is exceeded by five per cent.
- 10-30 per cent of the bonus is based on individual targets, which can be both purely individual and/or related to the department(s) which the senior executive is responsible for. Criteria can be financial or non-financial, but are in any event to be predetermined and measurable. As a minimum, at least one of the individual goals must be linked to the company's sustainability strategy.

#### 4.2.2 Long-term bonus

The company has a long-term bonus scheme, which may be continued during the period covered by these guidelines. The maximum award under this scheme is nine months of regular pay for the CEO and up to six months for other senior executives. Payments are not included in the basis for calculating holiday pay and pension.

Any award under this scheme is based on the amount by which actual comparable EBIT exceeds the previous year's figure. The bonus awarded will be placed in a bonus bank for each senior executive following the AGM in the year after the long-term bonus was earned. The pay-out is then spread over several years, with the final and main part (50 per cent) of the long-term bonus paid in the fifth year. The balance of the bonus bank will be adjusted on the basis of the annual development in the company's share price, measured as the volume-weighted average share price for the five trading days following the AGM compared with the same five trading days in the previous year. Any increase in the share price will give a proportionate rise in the bonus bank balance, and any decrease will give a proportionate reduction in the bonus bank balance. The table below provides an illustration of the long-term incentive scheme.

|  | Year 1       | Year 2                                    | Year 3        | Year 4         | Year 5        |
|--|--------------|---|---------------|----------------|---------------|
| Event                                  | Bonus earned | Bonus awarded and deposited in bonus bank | First payment | Second payment | Final payment |
| Payment of award                       | None         | None                                      | 25%           | 25%            | 50%           |
| Adjustment for share price development | na           | na  | Yes           | Yes            | Yes           |

#### 4.2.3 Restricted shares programme

The company may offer a long-term restricted shares programme once a year. This has been implemented to strengthen an aligned ownership culture between senior executives and shareholders, at limited cost to the company. This programme may be continued during the period covered by these guidelines.

The restricted shares programme provides senior executives with the opportunity to purchase shares with a three-year restriction on their sale. The purchase price is the market value of the shares (calculated as the

weighted average share price 10 days prior to the purchase date), taking into account the reduction in the value of the shares owing to the three-year sale restriction. This value reduction will be set by an external party (such as a law firm) based on an internationally recognised calculation model (such as Black & Scholes). The applicable value reduction will be updated annually, shortly before the programme is run. The launch of the programme must be approved annually by the board. Any costs and investments for the share purchases are borne by the senior executive; the company will not provide any credit or financing. The maximum annual investment amount per senior executive is set at NOK 500 000.

#### **4.3 Pension plans and insurance**

The company has established an occupational pension scheme in accordance with the Norwegian Occupational Pensions Act.

#### **4.4 Benefits in kind**

Senior executives may be offered benefits common to comparable positions, such as free phone, home PC, tablet, free broadband, newspapers, company car/car scheme and parking. Total costs related to such benefits may not exceed three months of regular pay.

### **5. Conditions for dismissal and severance schemes**

The period of notice for the CEO is 12 months. Other senior executives have a six-month period of notice. The company's CEO should normally have an agreement which takes into account the company's possible need to ask the CEO to leave immediately if this is considered to be in the company's best interest. The severance scheme must be attractive enough for the CEO to accept an agreement involving a reduction in their protection against dismissal.

Agreements may be signed regarding severance pay with other senior executives in order to meet the company's needs. Efforts will be made to establish severance schemes in such a way that they are acceptable both internally and externally. In addition to pay and other benefits during the period of notice, such schemes must not provide any entitlement to severance pay for a period exceeding 12 months.

### **6. Senior executives in jurisdictions other than Norway**

A level of remuneration which deviates from these guidelines may be agreed for senior executives whose employment relationship is governed wholly or partly by regulations in countries other than Norway. However, the total remuneration must always safeguard the company's business strategy, long-term interests and sustainability. Adjustments will be limited to those rendered necessary by applicable legislation with associated regulations and market practices in the relevant markets.

Senior executives whose employment relationship is regulated wholly or partly by regulations in countries other than Norway can be given an extended offer of other remuneration. Such remuneration must not exceed 12 months of regular pay. Examples of such compensation may include accommodation, stays abroad, school fees for children and paid return travel.

### **7. Preparation and decision-making process for establishing, reviewing and implementing the guidelines**

The board has established a remuneration committee. This will monitor and evaluate the application of these guidelines. For each financial year, the board will prepare a remuneration report and make this available to shareholders on the company's website at least three weeks before the AGM.

The duties of the remuneration committee include preparing the resolution for the board on proposed guidelines for the remuneration of senior executives. Responsibility for updating and proposing new guidelines at least every four years and submitting these for decision by the AGM rests with the board. These guidelines will apply until new guidelines have been adopted by the AGM.

Remuneration of the CEO will be decided by the board in line with approved policies following preparatory work and a recommendation by the remuneration committee. Remuneration of other senior executives will be determined by the CEO in line with approved policies and after consultation with the remuneration committee. The CEO and senior executives will not participate in board discussions and decisions on remuneration-related matters which pertain to them. Members of the remuneration committee are independent of the management.

#### **8. Consideration of salary and terms of employment for other employees**

The guidelines for remuneration of senior executives will seek to be proportional when compared with the other employees of the company, taking into account the type of work and the responsibilities of the senior executives compared with other employees. Payment and employment conditions for employees of the group have been taken into account in preparing the board's proposal for these remuneration guidelines. The level of remuneration of senior executives is assessed in the light of information about the total income of other employees of the company, the components of the remuneration, and its increase over time. Information on payment and employment conditions in the company forms part of the decision basis for the remuneration committee and the board when assessing whether the guidelines and the restrictions specified in these are reasonable.

#### **9. Deviation from these guidelines**

The principles in these guidelines are binding for the company from the time they are adopted by the AGM.

The board may decide to deviate from the guidelines in individual cases in order to satisfy the company's long-term interests, including its sustainability, or to ensure its financial viability. Any deviation must not result in an increase in variable remuneration as described in section 4.2 and must be disclosed in the remuneration report to the next AGM. The remuneration committee prepares the board's assessments of matters concerning remuneration, including deviations from these guidelines.

Fredrikstad, 1 February 2023

The board of directors of Europris ASA