



## EUOPRIS ASA

### THE BOARD OF DIRECTORS' DECLARATION ON DETERMINATION OF PAY AND OTHER REMUNERATION FOR THE EXECUTIVE MANAGEMENT 2020

#### 1. General

This declaration is prepared by the board of directors of Europris ASA ("Europris") in accordance with section 6-16a of the Norwegian Public Limited Liability Companies Act (the "Companies Act"), for consideration at the annual general meeting on 29 April 2020.

Principles in this declaration regarding the allocation of shares, subscription rights, options and any other form of remuneration stemming from shares or the development of the official share price in the company or in other group companies are binding on the board of directors when approved by the general meeting. Such guidelines are described in section 3.2. Other guidelines are precatory for the board of directors. If the board of directors in an agreement deviates from these guidelines, the reasons for this shall be stated in the minutes of the board of directors' meeting.

#### 2. The main principles of the company's remuneration policy for executive management personnel

Executive management pay in Europris and group companies shall be determined on the basis of the following main principles.

##### 2.1 Management remuneration shall be competitive, but not leading

Executive management remuneration shall, as a general guideline, be tailored to attract and retain skilled leaders. Pay (the sum of all salary and benefits received) should normally be approximately the average for pay in comparable executive management positions in similar businesses in the country where the individual manager resides. When determining management remuneration, proper consideration shall be given to the company's financial position, and the level chosen shall be defensible from the company's perspective.

##### 2.2 Management remuneration should be motivational

Remuneration for the executive management should be structured to motivate such employees to strive to improve operations and the company's results. The main element in management remuneration should be regular pay, although additional variable incentives should be available to motivate the executive management's efforts on behalf of the company. Variable benefits should be reasonably proportional to the company's results during the year in question. If the variable benefits are to incentivise additional efforts, the criteria must be linked to factors which the individual manager is able to influence. Europris aspires to have a pay plan based on solidarity within the group which encourages efforts that brings results beyond the individual manager's sphere of responsibility. A part of the total remuneration may also be related to the price of the company's shares in accordance with section 3.2 of this declaration.

##### 2.3 The remuneration system should be flexible, permitting adjustments as needs change

To be able to offer competitive remuneration, Europris must have a flexible pay system which can accommodate special solutions.

#### 3. Principles for benefits which can be offered in addition to regular pay

The basis for fixing executive management pay is the aggregate level of a manager's regular salary and other benefits. This level is to be competitive, but not leading. Regular pay should normally be the main element of the manager's remuneration. Where any variable remuneration is concerned, specific maximum amounts for the relevant recipient should be fixed at the time the remuneration is determined.

The following refers to the individual benefits which may be granted in addition to regular pay. Unless specifically mentioned, no special terms, conditions or allocation criteria apply to the benefits mentioned.

### **3.1 Additional benefits**

#### **3.1.1 Bonus scheme**

The company may establish a bonus scheme for the executive management. Any such schemes should be reviewed at least annually. Bonus schemes should be tied to the financial performance of Europris and other factors which the individual manager is able to influence. Determination of bonuses may also take into consideration development of consumer price indexes and other factors relevant for determining an appropriate level, always subject to the principles set out herein and any applicable maximum bonus level.

Europris has established a bonus scheme for the executive management, which is based on financial and operational performance. As from 2019 the maximum bonus under this scheme is 6 months of gross pay for the CEO and three months for other executive personnel. The bonus payment is not included in the basis for calculating holiday pay and pension.

Bonus schemes related to shares or share price trends are dealt with under section 3.2.

#### **3.1.2 Pension plans and insurance**

The company has established an occupational pension scheme in accordance with the Norwegian Occupational Pensions Act. The executive management may be covered by an additional individual pension scheme based on an annual financial contribution.

The company may sign early retirement agreements for executive management.

#### **3.1.3 Severance schemes**

The company's chief executive officer ("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 members of the executive management in order to meet the company's need to ensure at all times that the selection of senior executives is in line with its requirements. 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 are not to provide any entitlement to severance pay for a period exceeding 12 months.

#### **3.1.4 Benefits in kind**

Executive management may be offered benefits in kind which are common for comparable positions, such as free phone, home PC, free broadband, newspapers, company car/car scheme and parking. No particular limitations apply to the types of benefits in kind which can be agreed.

### **3.2 Binding principles for options and other types of benefits related to shares or share price trends**

The company may grant the executive management remuneration related to the price of the company's shares.

#### **3.2.1 Annual bonus**

The annual bonus described in section 3.1.1 has been in place since 2016 and was for previous years linked to the development of the Europris share price, with the bonus payment being adjusted based on the share price

development by the end of the fiscal year. As from 2020 the annual bonus will be released from the development of the Europris share price.

### 3.2.2 Long term incentive plan

As from 2019, the company implemented a long-term cash bonus incentive plan for the executive management at group level and certain key management personnel.

The level of the long term bonus is set based on position and vary between 3 months to 12 months gross base pay, with the latter maximum only being applicable for the CEO, and shall be fixed in accordance with the principles set out in this declaration. The annual bonus grant under the long term incentive is allocated to a bonus bank for each employee, and becomes payable in portions after 12 months with final payment 36 months after deposit.

The balance of the bonus bank is adjusted based on the development of the company's share price. Any increase in the share price will give a proportionate increase of the bonus bank balance, and any decrease in the share price fall will give a proportionate reduction of the bonus bank balance. Subject to any increase following adjustment for share price development, the maximum payment during any single year is capped at 12 months gross base pay (18 months for the CEO).

The table below shows an illustration of the bonus payments:

Event	Grant of bonus	12 months after grant	24 months after grant	36 months after grant
Grant of bonus	Deposit to bonus bank			
Adjustment	None	Adjustment for share price development.	Adjustment for share price development.	Adjustment for share price development.
Payment	None	25 %	25%	50%

The board of directors will decide on further terms and conditions as well as regulations for the long term incentive plan.

## 4. Statement on executive pay policy and the consequences of agreements on remuneration in the previous financial year

It is the company's policy to offer executive management competitive remuneration based on current market standards as well as the company's performance and individual performance. The agreements entered into with executive management during the fiscal year 2019 are in accordance with the principles for determining payment and remuneration for the executive management as approved by the general meeting in 2019. All bonus payments for the executive management must be approved by the compensation committee. Bonus pay-out for the members of the executive management in 2019 averaged to an amount of 58,6 % of the maximum bonus.

Notwithstanding any proposed changes to the management remuneration structure, the board of directors has not identified any significant negative consequences resulting from agreements on pay and remuneration in 2019, and believes that the guidelines for share-based bonuses promote value creation for the group and that the impact they have on the company and the shareholders is positive.

For further information on executive remuneration, please refer to note 7 to the annual financial statements.

Oslo, 25 March 2020

The board of directors of Europris ASA