

Nordecon AS

BOARD MEMBER REMUNERATION PRINCIPLES

Nordecon AS's board member remuneration principles have been established based on section 135² of the Estonian Securities Market Act. The remuneration of the board is decided by the council and the remuneration principles are approved by the general meeting of the company's shareholders. The principles are revised as and when needed.

Remuneration principles

In order to implement its business strategy and safeguard its long-term interests, including sustainability, the company needs to attract and retain competent and professional staff, including senior executives. This assumes, among other things, offering a competitive remuneration package.

The company has a competitive remuneration system which supports and rewards for performance improvement and the creation of a goal-driven work environment, while offering remuneration terms and conditions that are sustainable and provide long-term incentives. The remuneration system is aligned with the company's strategy, values and long-term interests.

The remuneration package of the members of the board must support the delivery of excellent results and be competitive in the marketplace. The remuneration system of the members of the board consists of the following components: a fixed service fee, variable pay (performance-related pay), a share option plan, and other benefits. The fixed service fee and variable pay are linked to the board members' responsibilities and decision-making authority.

Service fee

A member of the board is paid a monthly service fee, which is fixed in the service contract. The council decides the remuneration of the members of the board based on an appraisal of their activities. The council appraises a board member's activities primarily by taking into account the board member's area of responsibility and duties, as well as the company's financial position, current financial performance and future prospects and, if necessary, compares these with the corresponding indicators of other companies in the same industry. The service fee includes a 10% fee for observing the prohibition on competition. The service fee is agreed at the commencement of each term of office and it applies, as agreed, to the entire term of office.

Variable pay

Depending on the board member's area of responsibility, variable pay, i.e. performance-related pay, is based either on the level of the group's consolidated EBITDA (operating profit plus amortisation and depreciation expense for the financial year) or the EBITDA for a market/entity of the group before the effect of the calculation of the performance-related pay of the members of the board. Each targeted EBITDA level is assigned a coefficient. Performance-related pay is calculated by multiplying the service fee with the coefficient. The goals that need to be achieved in order to receive performance-related pay are agreed for each financial year and are documented in an appendix to the service contract. Board members are not eligible for performance-related pay if the goals for the year are not achieved or performance-related pay has been assigned based on data which proved to be (e.g. after the audit) materially inaccurate.

Share option plan

In 2014, the annual general meeting approved a share option plan for the period 2014-2020. The annual general meeting may decide that the company will continue to provide remuneration which is linked to the company's share or share price.

Other benefits

Other benefits available to the members of the board of Nordecon AS include participation in training courses that support their professional development, an additional two-week holiday designed for self-improvement, use of modern communication devices and IT equipment as well as a company car (including for personal purposes), and other benefits provided to the employees of Nordecon AS.

Expiry or termination of term of office

When the service contract expires or is terminated, a member of the board is paid benefits (a member of the board in an amount of up to six-fold and the chairman of the board in an amount of up to 12-fold average monthly service fee together with performance-related pay). A board member is not eligible for the benefits if the service contract is terminated at the board member's request, the board member is removed due to breach of the law, the board member is in breach of the service contract, the board member's activities have caused direct damage to the company or the parties agree to extend a board member's service contract for another term of office.

When the term of office ends, a member of the board is also paid benefits for observing the prohibition on competition (a member of the board is entitled to up to six-fold and the chairman of the board to up to 12-fold average monthly service fee together with performance-related pay). The payment of benefits is justified because the prohibition on competition restricts the board member's subsequent activities during the period for which the benefits are paid.