

Remuneration report 2021

PENN30[®]

Statement by the Board of Directors

The Board of Directors has today considered and approved the remuneration report of Penneo A/S for the financial year 1 January - 31 December 2021.

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 and discussed at the Annual General Meeting.

Copenhagen, 01.04.2022

Board of Directors

Christian Sagild

Morten Kenneth Elk

Rikke Stampe Skov

Independent Auditor's Report

To the shareholders of Penneo 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.

Copenhagen, 01.04.2022

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR-nr. 33 96 35 56

Bjørn Winkler Jakobsen
statsautoriseret revisor
MNE-nr. mne32127

Professionalisation

- from start-up to stock exchange listing

At the start of April 2022, Penneo was admitted to trading at the Nasdaq Copenhagen Main Market. In other words, the company has changed from being a small, unlisted start-up enterprise via a listing at the Nasdaq Copenhagen First North to now being on the Main Market in the course of a very short time. It is obvious that such a transformation makes demands on Penneo in a number of areas, in line with an increased need for policies, guidelines and transparency which to a listed company are considerably more comprehensive than what applies to an unlisted enterprise.

The remuneration policy is one of these areas.

A start-up enterprise will typically arrange the remuneration policy, both to the board of directors and the executive board, with a very small basic salary and a larger variable salary element, which is typically based on shares or warrants. This is favourable to the needs of a small enterprise to maintain a relatively low consumption of capital while at the same time the management is remunerated by equity interests. This was also the case with Penneo which today has a remuneration policy that is rather flexible.

Penneo is now undergoing the professionalisation which in some areas demands that the company relates to what is general practice at the Main Market, including the recommendations on Good Corporate Governance. In that connection, the board of directors will prepare a new remuneration policy over the next year in which it is planned to include a lower degree of flexibility as regards variable salary elements and a clarification of the connection between variable salary and performance.

The new remuneration policy will be presented at the general meeting in 2023.



Remuneration for the board of directors 2021

Annual fee

All members of the board of directors receive a fixed, annual basic fee. The chairman of the board may receive a fee of up to 200% of the basis fee.

At present, the board of directors has not established any board committee. If the board of directors determines to establish one or more board committees, the board members who serve on a board committee, may receive an extra fee for work performed in that connection. Depending on the scope of the work in the individual board committee, the chairman of the said committee may receive an extra fee of up to 100% of the board member's fixed annual directors' fee. The members of a board committee may receive an extra fee of up to 50% of the board member's fixed annual directors' fee.

Fee	Board of directors DKK
Member	100.000
Chairman	200.000

Warrant programme

For the purpose of ensuring shared interests of the board of directors and the company's shareholders, including that the company's short-term and long-term goals are fulfilled, in addition to the fixed remuneration the board members may receive share-based remuneration in the form of warrants in the company.

Granted warrants give a right, but not a duty, to subscribe for new shares in the company at an exercise price given in advance for a given exercise period. The exercise price will as a minimum correspond to the market price, equalling the average price of the company's shares for the five trading days immediately before the date of grant. Warrants mature by 1/36 every month over a period of three years after the date of grant, and must be exercised no later than eight years after that date. All granted warrants (whether or not the board member has acquired a right to warrants or not) lapse without further notice and without compensation if the company's shareholders determine that the board member must resign as a result of breach of the directorship. In other resignation situations, all immature warrants will lapse immediately and without further compensation.

The board's remuneration is reviewed every year at the annual general meeting in connection with the approval of the company's annual report (the remuneration for the financial year which the annual report concerns). At the time of the granting, the value of the total annual grant can constitute up to 300% of the individual board member's fixed annual basic fee. The value of warrants is calculated by means of the Black-Scholes model.

Deviation from the remuneration policy:

On 28 April 2021, in connection with his joining as chairman, Christian Sagild has received 406,377 warrants. Simultaneously, it was stated that after the general meeting in 2022 and 2023, respectively, Christian Sagild would be awarded warrants at a value of DKK 600,000 if he is still the chairman of the company. The warrants thus awarded will be deducted from the approved mandate for the board of directors in the issue of warrants. The deviation from the policy has been approved by the board of directors in the award of the warrant programme, to be able to attract and retain the right chairman of the board for the Company.

Board of directors

	Start date	Resignation
Christian Sagild (chairman)	28-04-2021	Active
Michael Moesgaard Andersen	29-12-2019	07-07-2021
Morten Elk (former chairman)	23-01-2019	28-04-2021
Morten Elk	28-04-2021	Active
Rikke Stampe Skov	05-03-2021	Active
Jan Flora	16-05-2019	05-03-2021

Board of directors fee 2021

Name and position	Annual fee DKK	Warrants**** DKK	Sign on warrants**** DKK	Total DKK
Christian Sagild*	135,000	103	929	136,032
Michael Moesgaard Andersen	51,894	0	0	51,894
Morten Elk**	132,222	0	0	132,222
Rikke Stampe Skov	82,222	0	0	82,222
Jan Flora***	0	0	0	0
Total	401,338	103	929	402,370

* Christian Sagild was appointed chairman of the board of directors on 28 April 2021

** Morten Elk was chairman of the board of directors in the period from 1 January 2021 to 28 April 2021

*** Jan Flora was a member of the board of directors during the year, but he is not remunerated for this work. Jan Flora has simultaneously been employed in the company

**** Warrants have been calculated according to the Black-Scholes value for granted warrants during the year. The Black-Scholes value is calculated at 31-12-2021 for the total amount of granted warrants during the year.

Warrant programmes Board of directors

Name and position	Granted date	Vesting period	Exercise period	Black-Scholes value at 31-12-2021	Number of warrants granted	Black-Scholes value per warrant at 31-12-2021	Expected volatility at 31-12-2021	Number of warrants vested at 31.12.2021	Strike price	Share price at 31.12.2021	Black-Scholes value at 31-12-2021 of accumulated outstanding vested warrants
Christian Sagild, chairman	28-04-2021	April 2021 to Marts 2024	April 2021 to April 2029	4,127*	406,377	0.01	13.74%	101,594	53.79	18.34	1,032
Morten Elk, member	28-05-2020	Fully vested	August 2021 to November 2023	3,852,395**	283,167	13.60	13.74%	283,167	4.74	18.34	3,852,395

* The Black-Scholes value at the date of grant was 6,039,820 DKK. The change in Black-Scholes value from the date of grant to 31-12-2021 is caused by changes in share price and volatility.

** The Black-Scholes value at the date of grant was 1,778,877 DKK. The change in Black-Scholes value from the date of grant to 31-12-2021 is caused by changes in share price and volatility.

Remuneration for the executive board 2021

The remuneration for the executive board is determined by the board of directors in compliance with the remuneration policy approved at the annual general meeting.

For the purpose of ensuring balanced remuneration that reflects the present development level and position of the company, while ensuring adequately competitive salary to retain the executive board, the executive board's total remuneration comprises: (i) fixed salary, (ii) possibility for a cash bonus and (iii) possibility of participation in long-term incentive schemes, including share-based remuneration in the form of warrants as well as (iv) other usual salary benefits.

Fixed remuneration

The fixed basic salary of the executive board is negotiated annually between the executive board and the board of directors.

Variable remuneration

The variable remuneration of the executive board is determined for the purpose of ensuring common interests between the executive board and the company's shareholders, including that both the company's short-term and long-term goals are met. The variable remuneration can consist of warrants and non-share-based bonus agreements, such as ongoing bonus and one-time bonus.

Variable remuneration is offered to members of the executive board if the board of directors assesses that it will contribute to meeting goals and promoting the company's business strategy. In addition, the following may be of importance: results achieved and expectations for the future, motivation and retention, the company's development.

Warrant programme

Granted warrants give a right, but not a duty, to subscribe for new shares in the company at an exercise price given in advance for a given exercise period. The exercise price will as a minimum correspond to the market price, equalling the average price of the company's shares for the five trading days immediately before the date of grant. The warrants mature by 1/36 every month over a period of three years after the date of grant, and must be exercised no later than eight years after that date. All granted warrants (whether or not the manager has acquired a right to the warrants or not) will lapse without further notice and compensation if the manager is summarily dismissed by the company. In other resignation situations, all immature warrants will lapse immediately and without further compensation. The value of the total annual grant to a member of the executive board under the company's long-term share-based incentive schemes can, at the time of the grant date, constitute up to 300% of the fixed annual salary of the individual member. The value of warrants is calculated by means of the Black-Scholes model.

Deviation from the remuneration policy:

On 22 March 2021 in connection with his joining as CEO, Christian Stendevad has received 630,000 warrants. The deviation from the policy has been approved by the board of directors in the award of the warrant programme, to be able to attract and retain the right chairman of the board for the Company.

Executive board	Start date	Resignation
Christian Stendevad (CEO)	18-08-2021	Active
Nicolaj Højer Nielsen (former CEO)	28-09-2020	18-08-2021
Niels Henrik Rasmussen (former CEO)	23-01-2019	28-09-2020

Executive board fee 2021

Name and position	Base salary DKK	Other fees* DKK	Benefits*** DKK	Sign on Warrants** DKK	Total DKK
Christian Stendevad	928,030	46,402	1,657	414	976,503
Nicolaj Højer Nielsen	400,000	0	814	0	400,814
Total	1,328,030	46,402	2,471	414	1,377,317

* Christian Stendevad has received compensation for a company car

** Warrants have been calculated according to the Black-Scholes value for vested warrants during the year. The Black-Scholes value is calculated at 31-12-2021 for the total amount of vested warrants during the year.

*** Benefits include health insurance and free phone.

Warrant programmes Executive board

Name and position	Granted date	Vesting period	Exercise period	Black-Scholes value at 31-12-2021	Number of warrants granted	Black-Scholes value per warrant at 31-12-2021	Expected volatility at 31-12-2021	Number of warrants vested at 31.12.2021	Strike price	Share price at 31.12.2021	Black-Scholes value at 31-12-2021 of accumulated outstanding vested warrants
Christian Stendevad, CEO	22-03-2021	August 2021 to July 2024	August 2021 to March 2029	2,984*	630,000	0.00	13.74%	87,500	58.94	18.34	414

* The Black-Scholes value at the date of grant was 10,260,607 DKK. The change in Black-Scholes value from the date of grant to 31-12-2021 is caused by changes in share price and volatility.

Comparative overview of remuneration

The development of remuneration to the board of directors and the executive board can be seen in the table to the right.

Comparison of fees 2021

Board of Directors	2021 DKK	2020 DKK	Change in %
Christian Sagild	136,032	-	N/A
Michael Moesgaard Andersen	51,894	0	N/A
Morten Elk	132,222	200,000	-34%
Rikke Stampe Skov	82,222	-	N/A
Jan Flora*	0	0	N/A
Nicolaj Højer Nielsen	-	0	N/A
Board of Directors total	402,370	200,000***	101%

Executive Board

Christian Stendevad	976,503	0	N/A
Nicolaj Højer Nielsen	400,814	150,203	167%
Niels Henrik Rasmussen	0	3,291,525	-100%
Executive Board total	1,377,317	3,441,728	-60%

Average salaries to employees of the company (FTE)**	552,192	563,445	-2%
Employed in the company (FTE)	77	51	50%
Annual recurring revenue (ARR) (m DKK)	55	37	49%
Gross profit (m DKK)	45	29	55%
Loss for the year (m DKK)	-19	-13	46%

* Jan Flora was a member of the board of directors during both years, but he is not remunerated for this work. Jan Flora has simultaneously been employed in the company

** Average salary to employees of the company has been calculated based on salary, bonus and staff benefits including warrants

*** In 2020, it was solely the chairman of the board who received remuneration for the board work