

PENN30[®]

REMUNERATION REPORT
2022



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 2022 - 31 December 2022.

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 misstatements and omissions, whether due to fraud or error.

The remuneration report will be presented for an advisory vote at the upcoming Annual General Meeting.

Copenhagen, 28 February 2023

Board of Directors

Christian Sagild (Chair)

Rikke Stampe Skov

Steffen Heegaard

Morten Kenneth Elk



Independent auditor's report

To the shareholders of Penneo A/S

We have examined whether the remuneration report for Penneo A/S for the financial year 1 January - 31 December 2022 contains the information required by section 139b(3) of the Danish Companies Act.

We express a conclusion providing reasonable assurance.

The Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the remuneration report in accordance with section 139b(3) of the Danish Companies Act and the remuneration policy adopted at the Annual General Meeting.

Further, the Board of Directors is responsible for the internal control that the Board of Directors considers necessary to prepare the remuneration report without material misstatements and omissions, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the remuneration report based on our examinations. We 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 statutory 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.

As part of our examinations, we have checked whether the remuneration report, to the extent relevant, includes the information required by section 139b(3), items 1-6, of the Danish Companies Act for the remuneration of each member of the Executive Management and the Board of Directors.

We believe that the procedures performed provide a sufficient basis for our conclusion.

Our examinations have not included an examination to verify the accuracy and completeness of the information provided in the remuneration report, and therefore we do not express any conclusion in this regard.

Conclusion

In our opinion the remuneration report contains, in all material respects, the information required by section 139b(3) of the Danish Companies Act.

Copenhagen, 28 February 2023

Deloitte

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Introduction

This remuneration report provides an overview of the total remuneration received by each member of the Board of Directors and Executive Management of Penneo for the financial year 2022 with comparative figures for two past financial years. In Penneo, the Executive Management currently consists only of CEO Christian Stendevad. The Board of Directors of Penneo include Chair of the Board, Christian Sagild, along with Rikke Stampe Skov, Morten Kenneth Elk, and Steffen Heegaard who was elected as a new member of the board in April 2022.

The remuneration of the Board of Directors and Executive Management during the past financial year has been provided in accordance with the remuneration policy approved at the Annual General Meeting in 2021 (with one exception; see page 7).

In April 2022, Penneo migrated from Nasdaq First North Growth Market to the Copenhagen Main Market. In other words, the company has moved quickly from being a smaller startup to becoming a listed company on the Main Market (using a listing on the First North Growth Market as an intermediate stepping stone). This transition has imposed a range of new demands on Penneo including an increased need for policies, guidelines and transparency. These demands are more comprehensive than what applies to an unlisted company and this also includes remuneration policy.

A start-up company will typically design the remuneration policy, both to the Board of Directors and the Executive Board, with a very small base salary and a larger variable salary element, which is typically based on shares or warrants. This model is well-suited for the needs of a small start-up since it translates into a relatively low consumption of capital and also means that the management is remunerated by equity interests.

This has also been the case in Penneo. As we have grown and matured, however, we have gradually adjusted our remuneration policy in dialogue with our shareholders. For example, we have recently taken action to align our remuneration policy further with the general practice of other companies on the Main Market and also the recommendations on good Corporate Governance for companies with shares admitted to trading on a regulated market in Denmark.

This has resulted in a revised remuneration policy that will be proposed for adoption on the Annual General Meeting on 29 March 2023. This policy includes a lower degree of flexibility in regard to variable salary elements to ensure a more appropriate balance between fixed and variable pay and also create a policy that reflects how Penneo is run on an everyday basis.

Although board remuneration with share options and

warrants is not recommended as part of Corporate Governance guidelines, Penneo has still chosen to maintain a small share of this remuneration type as part of the proposed new policy. This is due to the fact that Penneo is still a young company that is scaling its organization. In this growth phase, we believe some level of variable salary elements including warrants remains a good way to attract, motivate and retain qualified board members and Executive Management in a way that is mutually beneficial for both them and Penneo.

There were no comments or questions related to the 2021 remuneration report, when it was presented and approved at the Annual General Meeting on 27 April 2022.



Financial review

In the past year, Penneo has made solid progress scaling its business for growth, serving more customers than ever before and expanding our geographical footprint in Europe.

Despite this progress, however, 2022 has also been an extraordinary year with a volatile macroeconomic environment that has negatively impacted our customers' buying behavior and also led to somewhat longer sales cycles for some of our larger deals, particularly in the second half of 2022.

Penneo achieved an ARR of 71.0M DKK in 2022 which is in line with the adjusted guidance of 70-75M DKK we provided in Q3 2022. This corresponds to a YoY growth rate of 28%, which is lower than our initial expectation of a 40%-49% yearly growth rate.

However, we do not believe the current economy has changed the long term growth potential of Penneo. We remain a company with a solid subscription based business model with growing ARR from both existing and new customers, low yearly ARR churn, and a relatively high contribution margin.

We continue to see strong underlying market trends that translate into attractive possibilities in both our existing markets and new markets.

Moreover, 2022 was a year characterized by other key milestones.

In March 2022, for example, while still listed on Nasdaq First North, Penneo issued new shares in a private placement directed at a group of institutional investors that led to gross proceeds of 59M DKK.

This capital raise was a major milestone since it boosted the overall cash position we can leverage to accelerate and scale our organization for growth.

Furthermore, in April 2022 Penneo migrated from Nasdaq First North Growth Market to the Copenhagen Main Market, marking another historic milestone.



Remuneration for the Board of Directors 2022



Annual fee

All members of the Board of Directors receive a fixed, annual base fee.

The Chair of the board may receive a fee of up to 200% of the base fee.

In 2022, the Board of Directors has established an Audit Committee. For the Audit Committee as well as if the Board of Directors determines to establish 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 Chair of the said committee may receive an extra fee of up to 100% of the board member's annual base fee. The members of a board committee may receive an extra fee of up to 50% of the board member's annual base fee.

Fee (DKK)	Board of Directors	Audit committee
Member	180,000	50,000
Chair	450,000*	100,000

*Please refer to the section "Deviation from the remuneration policy" on page 7 for further explanation of the Chair's fee.

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.

On 28 April 2021, in connection with his joining as Chair, Christian Sagild 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 Chair of the company. After the Annual General Meeting in 2022, the Chair therefore received 190,660 warrants equivalent to DKK 600,000 and the expectation is that he will receive additional warrants equivalent to DKK 600,000 following the 2023 Annual General Meeting which is scheduled to be held on 29 March 2023. After this, the entry warrant program for Christian Sagild is considered completed.

In addition to the above, the two board members Rikke Stampe Skov and Steffen Heegard have each received 15,000 warrants following the 2022 Annual General Meeting in 2022.

Deviation from the remuneration policy

An analysis of board of directors' remuneration in Small Cap was made in 2022. This resulted in an adjustment of the remuneration provided to the Chair of the board.

The base fee was adjusted to 180,000 per year for board members. The Chair's fee was adjusted to 450,000. This results in an annual fee for the Chair of 250% of the base fee which is a deviation from the remuneration policy.

The deviation from the policy has been approved by the board of directors in order to retain the right Chair of the board for the Company to secure continuous growth and to facilitate the internationalization of the Company.



Board of Directors

Board of Directors	Start date	Resignation
Christian Sagild (Chair)	28-04-2021	Active
Morten Elk	28-04-2021	Active
Rikke Stampe Skov	05-03-2021	Active
Steffen Heegaard	27-04-2022	Active
Jan Flora (former)	16-05-2019	05-03-2021
Michael Moesgaard Andersen (former)	29-12-2019	07-07-2021
Morten Elk (former Chair)	23-01-2019	28-04-2021

Board of Directors fee 2022 (DKK)

Name and position	Annual fee	Committee fee	Warrants ^a	Total
Christian Sagild	366,667	37,500	24,442	428,609
Morten Elk	153,333	0	0	153,333
Rikke Stampe Skov	153,333	75,000	1,894	230,227
Steffen Heegaard	120,000	0	1,894	121,894
Total	793,333	112,500	28,230	934,064

^aWarrants have been calculated according to the Black-Scholes value for vested warrants during the year. The Black-Scholes value is calculated at 31-12-2022 for the total amount of vested warrants during the year.

Warrant programmes Board of Directors

Name and position	Granted date	Vesting period	Exercise period	Black-Scholes value at 31.12.2022 (DKK)	Number of warrants granted	Black-Scholes value per warrant at 31.12.2022 (DKK)	Expected volatility at 31.12.2022	Number of warrants vested at 31.12.2022	Strike price (DKK)	Share price at 31.12.2022 (DKK)	Black-Scholes value at 31.12.2022 of accumulated outstanding vested warrants (DKK)
Christian Sagild, Chair	28-04-2021	October 2021 to March 2024	April 2021 to April 2029	1,097 ^a	406,377	0.00	17.81%	237,053	53.79	9.15	640
Morten Elk, Board member	28-05-2020	Fully vested	August 2021 to November 2023	1,355,090 ^b	283,167	4.79	17.81%	283,167	4.74	9.15	1,355,090
Christian Sagild, Chair	27-04-2022	May 2022 to april 2025	May 2022 to April 2030	108,344 ^c	190,660	0.57	17.81%	42,369	17.85	9.15	24,077
Rikke Stampe Skov, Board member	27-04-2022	May 2022 to april 2025	May 2022 to April 2030	8,524 ^d	15,000	0.57	17.81%	3,333	17.85	9.15	1,894
Steffen Heegaard, Board member	27-04-2022	May 2022 to april 2025	May 2022 to April 2030	8,524 ^e	15,000	0.57	17.81%	3,333	17.85	9.15	1,894

^a 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 31-12-2022 is caused by changes in share price, volatility and the risk-free interest rate.

^b 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 31-12-2022 is caused by changes in share price, volatility and the risk-free interest rate.

^c The Black-Scholes value at the date of grant was 600,000 DKK. The change in Black-Scholes value from the date of grant to 31-12-2022 is caused by changes in share price, volatility and the risk-free interest rate.

^d The Black-Scholes value at the date of grant was 47,204 DKK. The change in Black-Scholes value from the date of grant to 31-12-2022 is caused by changes in share price, volatility and the risk-free interest rate.

^e The Black-Scholes value at the date of grant was 47,204 DKK. The change in Black-Scholes value from the date of grant to 31-12-2022 is caused by changes in share price, volatility and the risk-free interest rate.

Remuneration for the Executive Board 2022

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 base 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 expected performance; motivation and retention, and the company's overall development.

Bonus programme

The Executive Board was enrolled to a bonus plan where the KPI's measured were the company's total Annual Recurring Revenue (ARR) in addition to the Nasdaq Main Market admission and Capital raise during 2022.

The bonus programme was divided into half-year programs, where the first period was extended and started at the date of appointment of the CEO and ended 30-06-2022.

The following KPI's were used in the program ended 30-06-2022.

- Total ARR at the end of the period.
- Nasdaq Main Market admission and successful capital raise.

The following KPI was used in the program ended 31-12-2022.

- Total ARR at the end of the period.

The actual company performance for 2022 resulted in the achievement of approx. 34% of the maximum bonus programmes for 2022 for the Executive Board, see also the table at the bottom of page 11.

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.

Termination clause

The Service Agreement between the Company and the CEO may be terminated in writing by 12 months' notice to the end of a calendar month by the Company and by 6 months' notice to the end of a calendar month by the CEO.

If the Company terminates the employment, and the termination is not caused by breach of the employment terms on the part of the CEO, the CEO will be entitled to be released from his duties six months after the date on which termination notice is served and receive payment during the entire term of notice even if the CEO may have found other employment, other remunerated income or receive pension.

Salary from other employment will be offset against the CEO's salary payments from the Company during the release period.

A breach of the employment terms by the Company will be considered a termination of the employment by the Company, which entitles the CEO to a termination notice of 12 months from the date a breach is claimed, and to be released from his duties 6 months after this date.



Executive Board

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

Executive Board fee 2022 (DKK)

Name and position	Base salary	Bonus	Other fees ^a	Benefits ^c	Warrants ^b	Total
Christian Stendevad	2,500,000	236,448	125,000	4,320	303	2,866,072
Total	2,500,000	236,448	125,000	4,320	303	2,866,072

^a Christian Stendevad has received compensation for a company car.

^b Warrants have been calculated according to the Black-Scholes value for vested warrants during the year. The Black-Scholes value is calculated at 31-12-2022 for the total amount of vested warrants during the year.

^c Benefits include health insurance and free phone.

Warrant programmes Executive Board

Name and position	Granted date	Vesting period	Exercise period	Black-Scholes value at 31.12.2022 (DKK)	Number of warrants granted	Black-Scholes value per warrant at 31.12.2022 (DKK)	Expected volatility at 31.12.2022	Number of warrants vested at 31.12.2022	Strike price (DKK)	Share price at 31.12.2022 (DKK)	Black-Scholes value at 31.12.2022 of accumulated outstanding vested warrants (DKK)
Christian Stendevad, CEO	23-03-2021	August 2021 to July 2024	August 2021 to March 2029	910 ^a	630,000	0.00	17.81%	297,500	58.94	9.15	430
Christian Stendevad, CEO	01-07-2022	January 2023 to December 2025	January 2023 to December 2030	565,921 ^b	300,000	1.89	17.81%	0	10.24	9.15	0

^a 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 31-12-2022 is caused by changes in share price, volatility and the risk-free interest rate.

^b The Black-Scholes value at the date of grant was 624,202 DKK. The change in Black-Scholes value from the date of grant to 31-12-2022 is caused by changes in share price, volatility and the risk-free interest rate.

Bonus programmes Executive Board

Christian Stendevad, CEO	KPI weight	Fulfilled?	Percentage fulfilled	Bonus payout (DKK) ^a
KPI's for bonus program ended 30-06-2022				
Total ARR at the end of the period	75%	Partially fulfilled	39%	127,373
Nasdaq Main Market admission and successful capital raise	25%	Fulfilled	100%	109,075
KPI's for bonus program ended 31-12-2022				
Total ARR at the end of the period	100%	Not fulfilled	0%	0

^a The total target payout from bonus programmes in 2022 was 686,301 DKK



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 remuneration

Board of Directors	2022	Change in %	2021	Change in %	2020
Christian Sagild	428,609	215%	136,032	N/A	-
Michael Moesgaard Andersen (former)	-	(100%)	51,894	N/A	0
Morten Elk	153,333	16%	132,222	(34%)	200,000
Rikke Stampe Skov	230,227	180%	82,222	N/A	-
Jan Flora ^a (former)	-	N/A	0	N/A	0
Nicolaj Højer Nielsen (former)	-	N/A	-	N/A	0
Steffen Heegaard	121,894	N/A	-	N/A	-
Board of Directors total	934,064	132%	402,370	101%	200,000^b
Executive management					
Christian Stendevad ^c	2,866,072	194%	976,503	N/A	-
Nicolaj Højer Nielsen (former)	-	(100%)	400,814	167%	150,203
Niels Henrik Rasmussen (former)	-	N/A	0	(100%)	3,291,525
Executive management total	2,866,072	108%	1,377,317	(60%)	3,441,728
Average remuneration of Company Employees (FTE)^d	598,518	8%	552,192	(2%)	563,445
Company Employees (FTE)	84	9%	77	50%	51
ARR (m DKK)	71	29%	55	49%	37
Gross profit (m DKK)	60	33%	45	55%	29
Loss for the year (m DKK)	(20)	5%	(19)	46%	(13)

^a Jan Flora was a member of the Board of Directors during 2020 og 2021, but he has not been remunerated for this work. Jan Flora has simultaneously been employed in the company.

^b In 2020, it was solely the Chair of the board who received remuneration for the board work.

^c When comparing 2022 with 2021 it should be noted that Christian Stendevad stepped into the role as CEO on 18 August 2021.

^d Average remuneration of Company Employees had been calculated based on salary, bonus and staff benefits including warrants.

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