



Remuneration Report 2021

Remuneration Report 2021

1. Introduction

This report on remuneration to Senior Executives (the “Report”) is prepared by the board of directors of XXL ASA (“XXL” or the “Company” and together with its subsidiaries the “Group”). The Report has been prepared in accordance with the Norwegian Public Limited Liability Act 1997 section 6-16 b, the Norwegian Regulation on Guidelines and Report on Remuneration of Leading Employees of 2020 (Nw.: Forskrift om retningslinjer og rapport om godtgjørelse for ledende personer) section 6 and the Norwegian Accounting Act section 7-31b.

The Report comprises remuneration to the Company’s CEO, CFO and other members of the management who influence operational decisions and has P&L responsibility in a central segment of the business (“Senior Executives”). This is an updated definition from the guidelines who defines Senior Executives as those who report directly to CEO. The report also include remuneration to members of the board of directors. The purpose of the Report is to provide a comprehensive, clear and understandable overview over awarded and due gross salary and remuneration to Senior Executives and board members for the last financial year and how the remuneration is in accordance with the guidelines for remuneration of Senior Executives adopted by the annual general meeting 2021 of the Company (the “Remuneration Guidelines”) and to what extent the remuneration is linked to the performance of the Company. The Report provides details on the remuneration of the Company’s Senior Executives as well as the remuneration received by members of the Company’s board of directors in their capacity as board members in the Company.

Remuneration of the members of the board of directors of the Company (except for those board members who are also employed in the Company) is covered in section 6 of this Report.

2. Company highlights in 2021

Overall company performance in 2021

Total operating revenue in 2021 was NOK 10 006 million (NOK 10 423 million), a decline of 4 per cent. Profit before tax was NOK 246 million (NOK 191 million) and Net income (Profit for the year) was NOK 194 million (NOK 126 million).

For further details on the Company’s performance in 2021, Reference is made to the Company’s consolidated annual accounts for 2021. Overview of company performance last five years is given in table 6.

Overview of the application of the remuneration guidelines in 2021

Under the Remuneration Guidelines, remuneration of Senior Executives shall be competitive but not leading, motivational and flexible, and may consist of the following components: regular pay, bonus scheme, share incentives (restricted share units and an equity-based long-term investment program), pension benefits and other benefits.

The Remuneration Guidelines, adopted by the annual general meeting 2021, can be found on the Company’s website <https://www.xxlasa.com/wp-content/uploads/2021/06/Remuneration-report-2020-Lederlonnsklaering-2020.pdf>.

The auditor’s report regarding the Company’s Remuneration Report is available on <https://www.xxlasa.com/investor/>.

The Remuneration Guidelines, adopted by the general meeting 2021, have been implemented. The new criteria’s used to define Senior Executives in this Remuneration Report gives a group of 6 employees. The updated criteria’s of Senior Executives have been decided and approved by the board and no derogations from the procedure for implementation of the Remuneration Guidelines have been made.

3. Total remuneration of Senior Executives in the Company

Table 1 below sets out total remuneration, split by component, paid and due to the group of Senior Executive in the Company for the last financial year.

Table 1.
Total remuneration (TNOK) of Senior Executives in the Company in 2021 and 2020

Name of Senior Executive Position	Reported financial year	Fixed remuneration			Variable remuneration				Total remuneration	Proportion of fixed and variable remuneration
		Base salary	Fees	Other benefits	One-year variable *	Multi-year variable	Extraordinary items	Pension expense		
Pål Wibe CEO	2021 2020	5 000 3 277		7 7	744 1 507			22 17	5 774 9 291	(87/13) (35/65)
Stein Alexander Eriksen CFO	2021 2020	2 500 2 500		7 7	372 837			23 22	2 902 3 366	(87/13) (75/25)
Stine Trygg-Hauger Managing Director Norway**	2021 2020	1 452		7	459			14	1 932	(76/24)
Anders Lindblom Managing Director Sweden	2021 2020	2 364 1 910		77 17	660 776			561 467	3 662 3 170	(82/18) (76/24)
Pasi Lämpsä Managing Director Finland	2021 2020	1 865 1 672		68 73	535 575			208 273	2 141 2 593	(80/20) (78/22)
Magnus Kreuger Managing Director Austria	2021 2020	1 226 1 018		499 486	210 906			296 296	2 231 2 706	(91/9) (67/33)

*One-year variable remuneration for 2021 is accrued cost. There may be some changes when the remuneration is paid.

** Stine Trygg-Hauger startet working at XXL 14.05.2021

4. Share based remuneration

Equity-based long term investment program

The Group has established an equity-based long term investment program (the "Program") for members of the Executive Management. The main objective of the Program is to align the long-term interests of the Executive Management with those of the shareholders of XXL ASA. The members of the Executive Management is entitled to invest in XXL Management Invest AS (XMI) which is entitled to invest in XXL Sport & Villmark AS.

The calculated market price for the shares in XXL Sport & Villmark AS is based on the volume weighted average price of the XXL-share during a 10 trading days period towards the time of transaction, adjusted for the assets and liabilities of XXL other than its shares in XXL Sport & Villmark AS. The

shares subscribed for by the participants in XMI and by XMI in XXL Sport & Villmark AS is subject to a three-year lock-up (the "Lock-up") which entails an illiquidity discount of 25%.

The total investment of XMI in XXL Sport & Villmark AS is on the balance date NOK 69.4 million (after deduction of the illiquidity discount) and XMI holds 34,583 ordinary shares in XXL Sport & Villmark AS. XXL ASA has provided XMI with a loan in the amount of NOK 46.8 million to fund a part of XMI's investment in XXL Sport & Villmark AS while the remaining amount will be contributed by the Investment Program participants. The loan carries an annual interest of 8%.

After expiration of the Lock-up period, the Executive Management as a group may for a period of 24 months require that XXL ASA acquires or exchanges the shares in XMI for shares in XXL ASA at market price. For a period of 12 months thereafter, XXL ASA will be entitled to acquire all of the Executive Management's shares in XMI at market

price. The market price for the XMI shares shall in both of the aforementioned situations be based on the XXL VWAP during the 10 trading days prior to determination of the market price, XXL ASA's and XMI's respective ownership interest in XXL Sport & Villmark AS, as well as their assets and liabilities other than the shares in XXL Sport & Villmark AS, while the market price for the XXL ASA shares shall be equal to the XXL VWAP during the same 10 trading days.

Table 2. Long term investmentprogram XMI

Board of Directors and Senior Executive Management	Title	Shares in XXL Management Invest AS	Indirect ownership of XXL Sport & Villmark AS
Pål Wibe	CEO	9 961	1,0%
Stein Alexander Eriksen	CFO	3 187	0,3%
Stine Trygg-Hauger	Managing Director Norway	1 207	0,1%
Anders Lindblom	Managing Director Sweden	1 255	0,1%
Pasi Lämpsä	Managing Director Finland	1 195	0,1%
Magnus Kreuger	Managing Director Austria	796	0,1%

5. Compliance with the remuneration guidelines and application of performance criteria

A prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the Company can recruit and retain qualified personnel. The Company must therefore offer a competitive total remuneration, and the Company's Remuneration Guidelines enable the Company to offer Senior Executives such competitive total remuneration. Under the Remuneration Guidelines of the Company, remuneration of Senior Executives shall be competitive but not leading, motivational and flexible, and may consist of the following components: regular pay, bonus scheme, program

for restricted share units, equity-based long term investment program, pension benefits, and other benefits.

The performance measures for the Senior Executive's variable remuneration for 2021 have been selected to promote the Company's strategy and to encourage behaviour which is in the long-term interest of the Company. In the selection of performance measures, the strategic objectives and short-term and long-term business priorities for 2021 have been taken into account. In accordance with the Remuneration Guidelines, the variable remuneration for 2021 has been determined by the achievement of key performance indicators (KPIs) and goals at both individual and company level. The Senior Executives of the Company have, both individually and as a group, been given the opportunity to influence the attainment of the KPI's and the goals which have formed the basis for the assessment of the variable remuneration in 2021. For 2021, Senior Executives have been granted bonuses of up to 50% of the respective Senior Executive's gross base salary.

Criterion A: Financial component

For 2021 the main financial component of the bonus scheme has been EBITDA level vs. budget (excluding IFRS 16 effects). This criteria has been used both in "Own segment" and as the only criteria for the "Group" part of the bonus.

Criterion B: Growth component

Like for Like growth is highly important to succeed with long term value creation, and especially for XXL where the whole value chain is rigged for top line. Also a top line goal will give the necessary incentives to keep the inventory levels under control. Measurement will only apply to "Own segment" and follows the like for like definition in XXL. The improvement is measured in % for the whole year vs 2019, and in local currency.

Criterion C: Individual bonus / personal goals

The 2021 individual bonus component has been discretionary decided by the CEO and varies between the different members of the senior management team. In accordance with the Remuneration Guidelines, the Company has paid out bonuses for the reported financial year pursuant to a bonus scheme for Senior Executives which is based on the Company's results before tax exceeding the budget and certain KPI's.

Table 3.
Summary of Criteria's

Level	Max Bonus	EBITDA Change	Like for Like Growth vs 2019	Individual Goals
Own segment	25 %	15 %	10 %	
Level above	15 %	15 %		
Individual goals	10 %			10 %
Total	50 %	30 %	10 %	10 %

Table 4.
Summary 2021

KPI	Max Bonus	Bonus Achievement
EBITDA	30 %	6.6 %
Like for Like Growth*	10 %	5.3 %
Individual bonus	10 %	6.2 %

*Like for Like growth is adjusted for closed stores in 2021 due to COVID 19.

6. Remuneration to the board of directors

A This section describes the remuneration received by the Company's board members in their capacity as board members of the Company, i.e. it does not include remuneration employee elected board members have received in their capacity as employees. Employee elected board members do not get any remuneration for their position as board member. The proposal for remuneration of the board of directors is, pursuant to the Company's articles of association, prepared by the Company's nomination committee. The remuneration for the Company's board members is then resolved by the Company's general meeting.

Below is a specification of remuneration to the board of directors (amounts in NOK 1,000)

Table 5.
Total remuneration (TNOK) remuneration to the board of directors in 2021 and 2020

Name of board member	Position	Type of remuneration	2020	2021
Hugo Lund Maurstad	Chair	Regular board remuneration	400	400
Ronny Blomseth	Board member	Regular board remuneration and Audit Committee	390	390
Kjersti Helen Krokeide Hobøl	Board member	Regular board remuneration and Audit Committee	410	410
Øivind Lønnestad Tidemandsen	Board member	Regular board remuneration	350	350
Ulrike Brigitte Köhler*	Board member	Regular board remuneration		
Maria-Aas Eng*	Board member	Regular board remuneration	350	390

*Ulrike Birgitte Köhler was appointed as a board member in 2021, while Maria- Aas Eng resigned in 2021.

7. Comparative information on the change of remuneration and company performance

Table 6.
Comparative table on the change of remuneration and company performance over the last five reported financial years (RFY)

Remuneration (TNOK) and annual change*	2016	2017	2018	2019	2020	2021
CEO**	4 798	4 794 (-0 %)	4 039 (-16 %)	2 672 (-34 %)	9 291 (248 %)	5 774 (- 38 %)
CFO	2 613	2 621 (+0 %)	1 553 (- 41 %)	4 030 (+159 %)	3 336 (-17 %)	2 902 (- 13 %)
Managing Director Norway	1 370	1 528 (+12 %)	1 970 (+29 %)	2 723 (+38 %)	2 533 (- 7 %)	1 932 (- 24 %)
Managing Director Sweden	2 139	2 443 (+14 %)	2 488 (+2 %)	1 507 (-39 %)	3 170 (+110 %)	3 662 (+16 %)
Managing Director Finland	2 581	3 302 (+28 %)	1 425 (-57 %)	1 900 (+33 %)	2 593 (+37 %)	2 676 (+3 %)
Managing Director Austria		1 230	1 582 (+32 %)	720 (- 54 %)	2 706 (+275 %)	2 231 (- 18 %)
Key figures, XXL Group						
Operating Revenue	7 813	8 709 (+10%)	9 475 (+8%)	8 992 (-5%)	10 423 (+14%)	10 006 (- 4%)
EBITDA	824	828 (+0%)	541 (-53%)	538 (- 1%)	1 117 (+52%)	1 338 (+20%)
Remuneration development other employees						
Employees of the company (all or reference to the relevant comparison group)***	434	433 (-0%)	427 (- 1%)	403 (-5 %)	495 (+23 %)	509 (+3 %)

*CEO was changed in 2018, 2019 and 2020. CFO was changed in 2018, MD Norway was changed in 2020 and 2021, MD Sweden was changed in 2020, MD Finland was changed in 2018 and MD Austria was changed in 2019.

**Pål Wibe was appointed as CEO April 2020. A sign on bonus of TNOK 4 500 was part of the remuneration in 2020.

*** The development of the remuneration of an average XXL employee is calculated by deduction other social security expenses from the total personnel expenses and dividing the resulting figure by the average number of FTE's during the year. The numbers are deducted from annual accounts 2016-2021. We have not adjusted for currency changes, which especially will give an effect in 2020 numbers (EURO vs NOR change at 9,2 %)