

## XXL ASA

### GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES ANNUAL GENERAL MEETING 2023

Approved by the board of directors 16.05.2023

#### 1. General

These guidelines for remuneration of senior executives are prepared by the board of directors of XXL ASA ("**XXL**" or the "**Company**" and together with its subsidiaries the "**Group**") 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 6 June 2023, according to the Companies Act section 5-6 (3).

The guidelines apply to the CEO, CFO, and other members of the management who report directly to the CEO ("**Senior Executives**"). The guidelines furthermore shall apply to any employee elected board member, which the Company is in the process of establishing, but only with respect to remuneration received in the capacity as board members. The guidelines apply to the financial year 2023 and will remain in effect until new guidelines are adopted by the general meeting.

#### 2. How the guidelines advance XXL's business strategy, long-term interests and sustainability

XXL is a leading sports retailer with stores and e-commerce in Norway, Sweden, Finland and Denmark. Our vision is to be the preferred destination for the sports and outdoor enthusiasts.

XXL is in the sports and outdoor segments of the market. In this part of the market, we target the active people – the enthusiasts. Those who already find joy in sports and outdoor activities, and those who have just started. For our target group, we want to become a complete destination for sports and outdoor gear—a place they actively want to visit. In order to achieve that, we also need to become preferred in two other important dimensions - by our suppliers and by our employees. XXL's overall strategic program is based on strategic pillars to facilitate growth in both short and long-term perspective, in order to achieve certain specified strategic targets. The strategic pillars and the strategic targets for XXL vary from year to year, based on an analysis of the Group, the Group's operations, and the markets in which the Group operates.

More information regarding XXL's strategic priorities can be found in XXL's annual report and on XXL's website <http://xxlasa.com/corporate/about/strategy/>.

To successfully implement XXL's strategy and safeguard the long-term interests of the Group, the Group must be able to recruit, develop and retain Senior Executives with relevant competence, expertise and advanced leadership skills. It is therefore important that the Group offers its Senior Executives terms that provide motivation and are in line with the market level, and that are also well balanced and reasonably based on the Senior Executives' competence, responsibility and performance. At the same time, it is fundamental for XXL that the policies for the executive payment ensures financial sustainability and that the overall level of remuneration does not entail an unreasonable burden on XXL's liquidity and equity.

The remuneration guidelines seek to provide a clear framework for remuneration for Senior Executives, so that an environment that promote XXL's strategy and long-term goals can be developed and contribute to increased shareholder value.

### **3. The main principles of XXL's remuneration policy for Senior Executives**

Senior Executives' remuneration in XXL and group companies shall be determined on the basis of the following main principles.

#### **3.1 Management remuneration shall be competitive, but not leading**

Senior Executives' remuneration shall, as a general guideline, be tailored to attract and retain skilled leaders. Remuneration (the sum of all salary and benefits received) should normally be in line with remuneration in comparable senior executives' positions in similar businesses. When determining management remuneration, proper consideration shall be given to XXL's financial position, and the level chosen shall be defensible from XXL's perspective.

#### **3.2 Management remuneration should be motivational**

Remuneration for the Senior Executives should be structured to motivate employees to strive to improve operations and XXL's results. The main element in management remuneration should be regular pay, although additional variable incentives should be available to motivate the Senior Executives' efforts on behalf of XXL. Clear connections must exist between the goals determining variable pay and the objectives of XXL. Variable pay must be based on mainly objective, definable and measurable criteria. For the Senior Executives, variable pay (bonus) may not exceed 100% of fixed base salary. The criteria will be based on circumstances which are possible for management to influence, and specify a distinct period for which variable pay will be determined. The system for variable pay shall be transparent and easily comprehensible.

In addition, XXL has implemented a program for restricted share units and an equity-based long term investment, as further described below, to further align the interests of the company and the employees and its shareholders, and to motivate the employees to contribute materially to the success and profitability of XXL.

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

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

### **4. Types of remuneration and principles for benefits which can be offered in addition to regular pay**

The basis for fixing Senior Executives' pay shall be the aggregate level of a Senior Executive'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 Senior Executive's remuneration. Except for share based incentives, where any variable remuneration is concerned, specific maximum amounts for the relevant recipient should be fixed at the time the remuneration is determined.

In general, the remuneration may consist of five elements:

- regular pay,
- bonus scheme,
- long term investment program,
- pension benefits, and
- other benefits.

XXL shall seek to structure a plan combining base salary, short term bonuses and share incentives to (i) motivate the Senior Executives to strive to realise XXL's strategic goals including financial results, (ii) be suitable to attract and retain skilled leaders taking into account the market XXL participates in, and (iii) ensure that the plan is in line with the management salaries for comparable executive management in similar businesses.

The regular pay shall be the main element of the Senior Executives' remuneration. Additional cash bonuses shall be, at time of grant, subject to a maximum of 50% of the respective employee's gross base salary, however such

that the Group will honor bonus agreements with Senior Executives awarded prior to the date of these guidelines to the extent any such agreements deviate from the aforementioned bonus threshold.

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.

#### **4.1 Variable remuneration**

Skilled employees are XXL's most important resource for success. XXL is dependent on recruiting competent employees, motivate each employee to perform their very best and retaining valuable employees to promote XXL's business strategy, long-term interests and sustainability. XXL has implemented and may implement variable remuneration as a key contribution to achieve this. The variable remuneration as described below is linked to value generation for shareholders over time and are structured to create an ownership culture to ensure alignment between shareholders and the Senior Executives.

The variable remuneration is determined both by the achievement of individual and companywide key performance indicators and goals. It is instrumental that Senior Executives, both individually and as a team, can influence achievement of the key performance indicators and goals.

##### **4.1.1 Bonus scheme**

The Group may establish cash bonus schemes for the Senior Executives, which shall be based on elements such as the Group's results before tax exceeding the budget and certain KPIs. Under the bonus schemes, Senior Executives may be awarded an annual bonus of up to 50% of the respective employee's gross base salary. The annual bonus for the Senior Executives shall be communicated by the Board of Directors each year. The Group does not include bonus payments in the basis for calculation of holiday pay and pension.

The Group bonus scheme shall be structured to incentivize behavior and a selection of major components that directly impact the overall business goals. The following factors shall as a main rule be incorporated in the design of the Group bonus scheme:

- Bonus components should be limited in number to ensure maximum efforts put on the key business goals
- Components that can be directly impacted by the individual should be the main portion of the scheme
- The scheme must be regarded as "fair" and have a clear correlation to value creation
- Continuity - easy to understand and easy to communicate

The bonus scheme shall focus on key business priorities set out annually based on the Group's business and performance, as well as the market conditions.

It is important that a high percentage of the bonus is associated with measures that the Senior Executives can directly impact. "Own Segment" and "individual goals" therefore constitutes 80 % of the maximum bonus (65% and 15%, respectively), while "Group" (XXL ASA-level ) constitutes 20%.

#### **Financial component**

The main financial component is EBITDA level vs. budget (excluding IFRS 16 effects). This criteria will be the main bonus component and used both in "Own segment", with a weight of 80% of the possible bonus from "Own segment", and as the only criteria for the "Group" part of the bonus.

The Senior Executives (excluding segment directors) is measured on XXL ASA level, including HQ / unallocated. The segment directors are measured on own segment level and in local currency, and on "level above" (XXL ASA level). The thresholds for bonus will be the same as above but divided on both "own segment" and "Group". The

bonus, with respect to both "Own segment" and "Group" will be decided based on the percentage difference between the budgeted EBITDA and the actual EBITDA, so that the EBITDA must not be less than the budgeted EBITDA and that the maximum bonus is obtained at a 50% increase. The percentage may vary from year to year, but will be within a range of negative 10% to positive 20% for both the threshold for bonus and the maximum level.

#### **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 budget, and in local currency. The thresholds for bonus shall be within the range of 0% to 5% growth and the maximum bonus shall be obtained at levels between 5% and 10% growth, depending on the relevant segment.

#### **Individual bonus / personal goals**

The annual individual bonus component is discretionary decided by the CEO and will vary between the different members of the senior management team. The intention to increase the opportunity to reward in line with XXL goals and strategic initiatives.

#### **4.1.2 Long term investment program**

The Group has equity-based long term investment programs (the "**Investment Programs**" and each an "**Investment Program**") for Senior Executives and other key employees. The Investment Program regarding XXL Management Invest AS ("**XMI**") was established in 2020, and the Investment Program regarding XXL Management Invest II AS ("**XMI II**") will be established in the course of 2023 as a continuation of the Investment Program regarding XMI. The main objective of the Investment Programs is to align the long-term interests of the Senior Executives and other key employees with those of the shareholders of XXL. Such alignment of interest is considered to be an important factor to fulfil the Group's strategic pillars set out in the Company's annual reports. In addition to Senior Executives and other key employees, board members of the Company who are not representatives of Altor Invest 5 AS and Altor Invest 6 AS may be invited by the nomination committee to invest in the Investment Program regarding XMI II.

Pursuant to the Investment Programs, participants have in the past been offered to invest in ordinary shares in the investment company XMI and will in the future be offered to invest in ordinary shares in the investment company XMI II, which both will own shares in XXL Sport & Villmark AS, a wholly-owned subsidiary of XXL ASA. Shares held by participants in the Investment Programs, through XMI or XMI II, will be subject to a three year lock-up period (the "**Lock-up**") from the date of the respective participant has paid its invested amount. The shares in XMI and XMI II have been and will be, respectively, offered at market price, reflecting the Lock-up obligation (based on a Black & Scholes model) and a calculated market price for XXL Sport & Villmark AS.

Following expiration of the Lock-up period, the participants under the Investment Programs may under certain conditions for a period of 24 months demand that XXL acquires or exchanges their shares in XMI and XMI II for shares in XXL at market price. For a period of 12 months thereafter, XXL will be entitled to acquire the participants' shares in XMI and XMI II at market price.

The shares in XXL Sport & Villmark AS which are reserved for the Investment Programs in XMI and XMI II, shall not in total exceed 5 per cent of the issued share capital of XXL Sport & Villmark AS from time to time.

XXL has provided a loan to XMI of 50% of the full market price for XMI's shares in XXL Sport & Villmark AS at the time of investment.

XXL will hold preference shares in XMI II, which are entitled to a repayment of the paid-in capital on those shares together with an accumulated dividends at a fixed rate. The ordinary shares in XMI II will be entitled to all distributions in excess of the preference distributions on the preference shares. The split between preference shares and ordinary shares in XMI II will result in a similar economic profile for the shareholders of ordinary shares as was the case in XMI.

XXL shall enter into agreements with the participants in the Investment Program for XMI II which will set out the terms and conditions for their participation in the Investment Programs, including dividend distribution and changes in the share capital, termination of employment, takeover situations and more. XXL has already entered into such agreements regarding XMI.

#### **4.2 Pension plans and insurance**

XXL has established an occupational pension scheme in accordance with the Norwegian Occupational Pensions Act. The Senior Executives are members of XXL's ordinary pension scheme.

XXL may sign early retirement agreements for Senior Executives, but there are currently no such agreements in place.

#### **4.3 Benefits in kind**

Senior Executives may be offered benefits in kind which are common for comparable positions, such as free use of phone, PC, broadband, newspapers, company car/car scheme and parking. There are no special restrictions on the type of other benefits that can be agreed on, but costs related to such benefits shall not normally exceed 5 % of the employee's base salary.

It may be used other variable elements in the remuneration or awarded other special benefits than those mentioned above, provided that this is considered expedient for attracting and/or retaining a Senior Executive. No special limitations have been placed on the type of benefits that can be agreed, but costs related to such benefits shall not normally exceed 5% of the employee's base salary.

### **5. Conditions for dismissal and severance schemes**

Senior Executives has a period of notice of 6 months. The CEO currently has a severance scheme which entitles the CEO to receive 6 months' salary upon dismissal. The background for this is XXL's possible need to ask the CEO to leave immediately if this is considered to be in XXL's best interest. Consequently, the severance scheme must be attractive enough for the CEO to accept an agreement involving a reduction in their protection against dismissal.

Severance schemes may be agreed in relation to any changes in the CEO position.

Agreements may be signed regarding severance pay also with other Senior Executives in order to meet XXL'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 for other Senior Executives than the CEO shall in any event not provide any entitlement to severance pay for a period exceeding 12 months.

### **6. Employee appointed board members and deputies**

These guidelines shall also include remuneration to any employee appointed board members and deputies in their capacity as board members / deputies, i.e. not their normal remuneration in capacity as employees. In XXL,

the remuneration to employee appointed board members and deputies in that capacity is proposed by the nomination committee and resolved by XXL's general meeting in the same manner as for shareholder elected board members.

#### **7. Preparation and decision-making process for establishing, reviewing and implementing the guidelines**

The board of directors has established a compensation committee. The compensation committee shall monitor and evaluate the application of the guidelines, variable remuneration programmes for Senior Executives that are ongoing and those that were concluded during the year, as well as remuneration structures and levels within XXL and the group. For each financial year, the board of directors shall prepare a remuneration report and make this available to shareholders on XXL's website at least three weeks prior to the annual general meeting.

The duties of the compensation committee include preparing the board of directors' resolution on proposed guidelines for remuneration of Senior Executives. The board is to prepare proposed new guidelines at least every four years and submit the proposal for decision at the general meeting. The guidelines shall apply until new guidelines have been adopted by the general meeting.

Remuneration to the CEO shall be decided by the board of directors in line with approved policies following preparation and recommendation by the compensation committee. Remuneration to other Senior Executives shall be decided by the CEO in line with approved policies and after consultation with the compensation committee if deemed necessary.

The members of the compensation committee are independent in relation to the management. The CEO and other members of the management shall not participate in the board of directors' discussions on matters related to remuneration that concerns them.

#### **8. Consideration of salary and terms of employment for other employees**

In preparing the board of directors' proposal for these guidelines for remuneration, payment and employment conditions for employees in the group have been taken into account. The level of remuneration is assessed in light of information about the employee's total income, the components of the remuneration and increase and growth over time. Information on payment and employment conditions in the group forms part of the compensation committee's and the board of directors' basis for decision when assessing whether the guidelines and restrictions set out in these are reasonable.

#### **9. Reclaiming performance-related pay**

The Company shall have the right to demand repayment of any performance-related remuneration that has been paid on the basis of information that were self-evidently incorrect, or as the result of misleading information supplied by the individual in question.

#### **10. Deviation from these guidelines**

The principles in these guidelines are binding for XXL from the time they are adopted by the general meeting.

The board of directors may nevertheless decide to deviate from the guidelines in individual cases, provided that special circumstances are considered to make it necessary to deviate from the guidelines in order to satisfy XXL's long-term, interests, including its sustainability, or to ensure XXL's financial viability. As an example, bonus criteria will as a principal rule not be changed by changes not included in the budget (like new stores, store closures, acquisitions etc). At the same time it may be needed in extraordinary cases, if the bonus effects from such changes have large unforeseen bonus effects (either up or down), to neutralize such bonus effects. Such neutralization may be carried out through shifting the internal weight of the described bonus criteria. Approval of any such neutralizations, and thus adjustments in the bonus calculations, can only be given by the CEO after approval by the compensation committee.

The compensation committee prepares the board of directors' assessments of matters concerning remuneration, including deviations from these guidelines.

Oslo, 16.05.2023

The board of directors of XXL ASA