



Remuneration report 2021

1. Background

Under Section 6-16 b of the Public Limited Liability Companies Act, the board of KMC Properties ASA is required to draw up an annual report that provides a complete overview of remuneration disbursed and due to executive personnel covered by the guidelines defined in Section 6-16a. The report meets the requirements set out in the regulations on guidelines for and reporting of remuneration of executive personnel ("Forskrift om retningslinjer og rapport om godtgjørelse for ledende personer").

The object of the report is to ensure transparency in KMC Properties remuneration policy and the actual remuneration of executive personnel in KMC Properties, to confirm compliance with the guidelines on the determination of salaries and other remuneration of senior executives and board of directors.

The group was established in 2020 and therefore reporting for the five most recent financial years is not available where required.

2. Company performance

2021 was the year KMC Properties truly got underway with the execution of the company's growth strategy. Following a series of value-accretive acquisitions and new development projects, the company closed the year with 45 properties, valuing the portfolio at NOK 4.0 billion. Along the way, the

company has built a robust organisation and developed a solid financial position through a successful private placement and significantly increased rental income, providing a good foundation to further pursue profitable growth opportunities.

Table 1 – Development in key figures

<i>All amounts in NOK million</i>	2021	2020
Rental income	226.1	51.8
Change period-on-period	337%	
Net operating income	214.6	49.0
Change period-on-period	338%	
Net income from property management	65.6	8.3
Change period-on-period	690%	
Profit before tax	382.5	406.9
Change period-on-period	(6%)	
Profit after tax	304.8	312.6
Change period-on-period	(2%)	
Group property portfolio value	4 002	3 090
Net nominal interest bearing debt	2 011	1 717
Loan to value	50.3%	55.6%

3. Summary of KMC Properties remuneration guidelines

KMC Properties ASAs guidelines on the determination of salaries and other remuneration senior executives and board of directors (the "board") for the financial year 2021 was approved at the company's annual general meeting 2021. The guidelines are summarised below.

3.1 Senior executive remuneration

The main principle of the company's guidelines for remuneration, is that the senior management shall receive a competitive salary, including a result-based salary tied to the business results and shareholder value to ensure the desired competence and director incentives.

Remuneration is an important instrument in order to harmonise the interests of the company and its senior management. The company's remuneration principles are designed to ensure that the company is able to attract and keep qualified senior management, without being a wage leader in the relevant business sector, and without the variable wage element constituting such a large proportion of the total wage compensation that it can give unfortunate incentives and short-termism.

The remuneration shall generally stimulate to goal achievements and good risk management, counteract excessive risk-taking, and contribute to avoid conflict of interests. The

remuneration shall be in line with the company's long term interests and economic financial sustainability. In general, the remuneration shall be equal for male and female employees for equal work or work of equal value.

3.2 Board of directors remuneration

The general meeting determines each year the remuneration of the board based on the nomination committee's proposal. The board's remuneration shall reflect the board's responsibilities, expertise, and use of time and the complexity of the business.

4. Senior executive remuneration

Determination of remuneration of senior executives for 2021 has been carried out in accordance with the guidelines determined by the annual general meeting in 2021. Performance-related pay for 2021 was determined and paid in 2022.

The company operates performance-related pay schemes for senior executives. For the company's senior executives, performance-related pay in 2021 is a cash-based variable pay scheme ("STI" – Short-Term Incentive). There were no long-term variable incentive program ("LTI" – Long-Term Incentive) in 2021.

Table 2 – Overview of senior executives

Senior executive	Position
Liv Malvik	CEO
Kristoffer Holmen	CFO
Audun Aasen	COO
Kristoffer Formo	Head of M&A

Table 3 – Total remuneration to senior executives in 2021 and 2020

Senior executive	Year	Base salary	Benefits ¹⁾	Pension costs ²⁾	Variable cash salary (STI) ³⁾	Total remuneration	Fixed pay vs. variabel pay ⁴⁾	
Liv Malvik	2021	2 000	25	116	1 500	3 641	59%	41%
	2020	963	3	58	500	1 524	67%	33%
Kristoffer Holmen	2021	1 000	10	79	1 125	2 214	49%	51%
	2020	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Audun Aasen	2021	1 200	177	67	600	2 044	71%	29%
	2020	886	117	28	500	1 531	67%	33%
Kristoffer Formo	2021	1 098	18	89	600	1 805	67%	33%
	2020	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1) Benefits includes benefits in kind such as a car allowance, telephone and insurance coverage.

2) Pension costs includes costs for the contribution-based service pension plan. The annual contributions are 5 per cent of salaries between 0 G and 7.1 G and 15 per cent of salaries from 7.1 G to 12 G. 1G is the Norwegian National Insurance Scheme's basic amount and was NOK 106 399 as of 31.12.2021.

3) Includes the provision based on targets met in 2021, which will be paid out in 2022. 50 per cent of the variable compensation shall be paid out two years from grant, on condition that the employee is employed with the company at the end of the two-year period and has not given notice to terminate his or her employment. The deferred share of the variable compensation shall be indexed against the share price of KMC Properties ASA (KMC), starting at market price at grant.

4) The relative proportions of fixed and variable remuneration, respectively.

4.1 Variable remuneration

Cash-based variable remuneration to senior executives is set based on the guidelines determined by the Annual General Meeting in 2021. According to the guidelines, the variable remuneration shall be based on adjusted annual EBITDA, annual finance cost, the annual income growth, the share price, and annual operational KPIs, including ESG (Environmental, Social and corporate Governance) KPI's, determined by the board per year. The level of goal achievement shall be set on a discretionary basis.

Further, the maximum variable remuneration for the CEO and the CFO is set to 75 per cent of their base salary, and for other senior executives the maximum limit is 50 per cent of the base salary.

50 per cent of the variable compensation shall be payable two years from grant, on condition that the employee is employed with the company or its subsidiaries at the end of the two-year period and has not given notice to terminate his or her employment. The deferred share of the variable compensation shall be indexed against the share price of KMC Properties ASA, starting at market price at grant.

Given that the current form of KMC Properties was established in December 2020, and that the organisation, strategy and market position had to be developed during 2021, the board was reluctant to set specific targets for senior executives. Instead, the board decided to monitor the development of the rental income, the net income from property management (see definition below), the operational performance, the ESG performance and the share price, during the year. And set the variable remuneration based on a discretionary evaluation of the development.

The variable remuneration was judged on an individual level, however the board recognised the collective effort behind the results of 2021, due to 2021 being the group's first full year of operation.

During 2021 the rental income increased from NOK 53.1 million per quarter at the beginning of the year, to NOK 61.7 million in Q4, a 16.2 per cent increase. However, the run-rate rental income (contractual rental income the next 12 months from reporting date) increased from NOK 212.8 million when reporting the Q4 2020 figures (28 February 2021), to NOK 284.0 million when reporting the Q4 2021 figures (24 February 2022) – a 33.5 per cent increase. The rental income increase is mainly due to new investments (in addition comes CPI adjustments from 1 January 2022) – KMC Properties invested approximately NOK 700 million in existing and new properties during 2021. The CEO and the other senior executives received a 100 per cent outcome on this performance criteria.

Net income from property management, which is the operating profit before value adjustments (adjusted EBITDA) minus net realised financials (finance cost), increased from NOK 4.9 million in Q1 2021 to NOK 23.7 million in Q4 2021 – a relatively large increase. However, Q1 was very affected by the transaction costs following the listing of KMC Properties and the acquisitions and capital markets activities in late 2020, hence the comparison is difficult. Thus, the board used a more qualitative approach when evaluating this performance criteria. Most of the investments in 2021 were related to triple net barehouse contracts, hence, property related expenses were low during the whole year. SG&A expenses (opex) in the beginning of the year were high due to the use of consultants on day-to-day operations. However, the organisation on group level increased from two employees at the beginning of the year, to ten employees at the end of the year – filling all senior positions, saving costs, and setting the organisation for further growth. The run-rate SG&A expenses (budgeted amounts) increased by only 15.7 per cent from Q4 2020 to Q4 2021, even though the run-rate rental income increased by 33.5 per cent in the same period. The interest margin on interest-bearing debt was reduced from 425 basis points (the senior secured bond loan) to 250 basis points on the latest bank loan in 2021. The bond also performed well in the second-hand market during 2021 with a spread (implicit margin) of approximately 285-290 basis points at year-end. The CEO and the other senior executives received a 100 per cent outcome on this performance criteria.

The operational performance in 2021 is largely affected by 2021 being KMC Properties first full year of operation, and the building of the organisation and setting the company strategy. CEO Liv Malvik and COO Audun Aasen were the only two employees on group level at the beginning of the year. CFO Kristoffer Holmen and head of M&A Kristoffer Formo acted as consultants at the beginning of the year, and were later hired full time. In addition, six other employees were hired during the year in accounting, property management and M&A, filling all vital positions in the organisation. During 2021 no employees have been injured, there have been no significant complaints from tenants, there has been no significant damage to any properties, and the company has set a maintenance schedule for each property, which will be implemented during 2022. The CEO and the other senior executives received a 100 per cent outcome on this performance criteria.

KMC Property has been thorough when setting the future course and when deciding on ESG suppliers. During 2021 the company engaged The Governance Group to assist with the EU Taxonomy and preparation of the GRI certified ESG report for 2021, published in the annual report for 2021. In connection with the report, the company has analysed its current ESG status and CO₂ emissions, by collecting data and doing interviews with relevant parties (tenants, banks,

suppliers, other financial institutions, employees, and legal advisors). This will in turn be used to set concrete targets for the future. As part of the process of deciding the future course, the company has initiated a trial project at the property in Fredrikstad, to test the use of solar panels and battery containers in collaboration with our tenants. The project has been successful so far, and the goal is to distribute solar panels and battery containers to all the properties where this relevant. Given how hectic 2021 has been, the CEO and the

other senior executives received a 100 per cent outcome on this performance criteria.

KMC Properties was listed at NOK 7.00 per share in December 2020. The intraday volume-weighted average price on 31 December 2021 was NOK 10.70 per share – a 52.9 per cent increase. The CEO and the other senior executives received a 100 per cent outcome on this performance criteria.

Table 5 - KPI's for variable remuneration and actual award outcome

Description of the performance criteria and type of applicable remuneration	Description of KPI	Relative weighting of the performance criteria	Award outcome ²⁾	
			CEO	Other senior executives
Performance agreement part 1: Financial KPIs	Income growth net income from property management ¹⁾	50%	100%	100%
Performance agreement part 2: Operational KPIs	Operational performance ESG	25%		
Performance agreement part 3: Share price	Share price	25%		

1) Operating profit before fair value adjustments (Adjusted EBITDA) minus Net realised financials (Finance cost).

2) The level of goal achievement is set on a discretionary basis.

4.2 Deviation from policy and application of claw-back

In 2021, there were no claw-back and malus of incentive payments, and the board did not exercise its right to amend the incentive awards. There were no deviations from the guidelines for the remuneration to the senior executives.

5. Board of directors remuneration

Determination of remuneration of the board for 2021 has been carried out in accordance with the guidelines determined by the annual general meeting in 2021.

Table 6 – Fixed fee structure board and committees 2021

<i>All amounts in NOK thousand</i>	Chair	Member
Board of directors	400	225
Audit committee	50	50
Remuneration committee	25	25

Table 7 – Board remuneration 2021

<i>All amounts in NOK thousand</i>		Year	Board fees	Committee fees	Total remuneration ¹⁾
Anders Dyrseth	Chair	2021	400	-	400
		2020	N/A	N/A	N/A
Morten Eivindssøn Astrup	Director	2021	225	25	250
		2020	N/A	N/A	N/A
Nini Høegh Nergaard	Director	2021	225	-	225
		2020	N/A	N/A	N/A
Anna Musiej Aanensen	Director	2021	225	75	300
		2020	N/A	N/A	N/A
Stig Wærnes	Director	2021	225	75	300
		2020	N/A	N/A	N/A
Marianne Bekken	Director	2021	225	-	225
		2020	N/A	N/A	N/A
Thorbjørn Fjærtøft Pedersen (from 2 June 2021)	Director	2021	113	-	113
		2020	N/A	N/A	N/A
Børge Klungerbo (until 2 June 2021)	Director	2021	113	-	113
		2020	N/A	N/A	N/A

1) The overview of the remuneration of the board of directors shows remuneration earned in the financial year.

5.1 Deviation from policy

In 2021, there were no deviations from the guidelines for the remuneration to the board.

6. Development in remuneration and company performance

6.1 Senior executive remuneration 2017-2021

A summary of the development of the total remuneration of the senior executives serving in 2021, in the five-year period 2017–2021 is provided in the table below.

Table 8 – Senior executive remuneration 2017-2021

<i>All amounts in NOK thousand</i>	2017	2018	2019	2020	2021
Liv Malvik ¹⁾					
Total remuneration	N/A	N/A	N/A	1 524	3 641
% change	N/A	N/A	N/A	N/A	139%
% change annualised	N/A	N/A	N/A	N/A	39%
Kristoffer Holmen ²⁾					
Total remuneration	N/A	N/A	N/A	N/A	2 214
% change	N/A	N/A	N/A	N/A	N/A
% change annualised	N/A	N/A	N/A	N/A	N/A
Audun Aasen					
Total remuneration	N/A	N/A	N/A	1 531	2 044
% change	N/A	N/A	N/A	N/A	33%
% change annualised	N/A	N/A	N/A	N/A	33%
Kristoffer Formo ³⁾					
Total remuneration	N/A	N/A	N/A	N/A	1 805
% change	N/A	N/A	N/A	N/A	N/A
% change annualised	N/A	N/A	N/A	N/A	N/A

1) Liv Malvik was appointed CEO from 1 June 2020.

2) Kristoffer Holmen was appointed CFO from 1 May 2021.

3) Kristoffer Formo was appointed head of M&A from 15 March 2021.

6.2 Board of directors remuneration 2017-2021

A summary of the development of the board remuneration for the board members serving in 2021, in the five-year period 2017–2021 is provided in the table below.

Table 9 – Board remuneration 2017-2021

<i>All amounts in NOK thousand</i>	2017	2018	2019	2020	2021
Anders Dyrseth					
Total remuneration	N/A	N/A	N/A	N/A	400
% change	N/A	N/A	N/A	N/A	N/A
% change annualised	N/A	N/A	N/A	N/A	N/A
Morten Eivindssøn Astrup					
Total remuneration	N/A	N/A	N/A	N/A	250
% change	N/A	N/A	N/A	N/A	N/A
% change annualised	N/A	N/A	N/A	N/A	N/A
Nini Høegh Nergaard					
Total remuneration	N/A	N/A	N/A	N/A	225
% change	N/A	N/A	N/A	N/A	N/A
% change annualised	N/A	N/A	N/A	N/A	N/A
Anna Musiej Aanensen					
Total remuneration	N/A	N/A	N/A	N/A	300
% change	N/A	N/A	N/A	N/A	N/A
% change annualised	N/A	N/A	N/A	N/A	N/A
Stig Wærnes					
Total remuneration	N/A	N/A	N/A	N/A	300
% change	N/A	N/A	N/A	N/A	N/A
% change annualised	N/A	N/A	N/A	N/A	N/A
Marianne Bekken					
Total remuneration	N/A	N/A	N/A	N/A	225
% change	N/A	N/A	N/A	N/A	N/A
% change annualised	N/A	N/A	N/A	N/A	N/A
Thorbjørn Fjærtøft Pedersen ¹⁾					
Total remuneration	N/A	N/A	N/A	N/A	113
% change	N/A	N/A	N/A	N/A	N/A
% change annualised	N/A	N/A	N/A	N/A	N/A
Børge Klungerbo ²⁾					
Total remuneration	N/A	N/A	N/A	N/A	113
% change	N/A	N/A	N/A	N/A	N/A
% change annualised	N/A	N/A	N/A	N/A	N/A

1) Thorbjørn Fjærtøft Pedersen was elected to the board from 2 June 2021.

2) Børge Klungerbo was elected to the board until 2 June 2021.

6.3 Development in KMC Properties performance and employee remuneration 2017-2021

The table below presents the development in some of KMC Properties key financial metrics, in the five-year period 2017–2021.

Table 10 – KMC Properties performance 2017-2021

	2017	2018	2019	2020	2021
Rental income	N/A	N/A	N/A	52	226
Rental income growth	N/A	N/A	N/A	N/A	337%
Net income from property management (NOK million)	N/A	N/A	N/A	8	66
Net income from property management growth	N/A	N/A	N/A	N/A	696%

The table below presents the development in average total remuneration on a full-time equivalent basis of employees of KMC Properties ASA, in the five-year period 2017–2021. Senior executives is excluded from the calculation.

	2017	2018	2019	2020	2021
Average base salary employees (NOK thousand)	N/A	N/A	N/A	N/A	814
Average variable remuneration employees (NOK thousand)	N/A	N/A	N/A	N/A	155
Average pension costs employees (NOK thousand)	N/A	N/A	N/A	N/A	52
Average total remuneration employees (NOK thousand)	N/A	N/A	N/A	N/A	1 021
Average remuneration growth	N/A	N/A	N/A	N/A	N/A

7. Statement by the board of directors

The board of directors has today considered and adopted the remuneration report of KMC Properties ASA for the financial year 2021. The remuneration report have been prepared in accordance with section 6-16b of the Norwegian Public

Limited Liability Companies Act. The remuneration report will be presented for an advisory vote at the annual general meeting in 2022.

Trondheim, Norway, 27 April 2022

The board of directors
KMC Properties ASA

Anders Dyrseth
Chair

Morten Eivindsson Astrup
Director

Nini Høegh Nergaard
Director

Anna Musiej Aanensen
Director

Marianne Bekken
Director

Thorbjørn Fjærtøft Pedersen
Director

Stig Wærnes
Director



To the General Meeting of KMC Properties ASA

Independent auditor's assurance report on report on salary and other remuneration to directors

Opinion

We have performed an assurance engagement to obtain reasonable assurance that KMC Properties ASA report on salary and other remuneration to directors (the remuneration report) for the financial year ended 31 December 2021 has been prepared in accordance with section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation.

In our opinion, the remuneration report has been prepared, in all material respects, in accordance with section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation.

Board of directors' responsibilities

The board of directors is responsible for the preparation of the remuneration report and that it contains the information required in section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation and for such internal control as the board of directors determines is necessary for the preparation of a remuneration report that is free from material misstatements, whether due to fraud or error.

Our independence and quality control

We are independent of the company as required by laws and regulations and the International Ethics Standards Board for Accountants' Code of International Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. Our firm applies International Standard on Quality Control 1 (ISQC 1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibilities

Our responsibility is to express an opinion on whether the remuneration report contains the information required in section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation and that the information in the remuneration report is free from material misstatements. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information".

We obtained an understanding of the remuneration policy approved by the general meeting. Our procedures included obtaining an understanding of the internal control relevant to the preparation of the remuneration report in order to design procedures that are appropriate in the circumstances, but



not for the purpose of expressing an opinion on the effectiveness of the company's internal control. Further we performed procedures to ensure completeness and accuracy of the information provided in the remuneration report, including whether it contains the information required by the law and accompanying regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 27th April 2022
PricewaterhouseCoopers AS

Østein Blåka Sandvik
State Authorised Public Accountant

 Securely signed with Brevio

Dokument

Signers:

<i>Name</i>	<i>Method</i>	<i>Date</i>
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