



Remuneration report 2022

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 (“For-skrift 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

2022 was a demanding year for the world economy. Russias invasion of Ukraine in February 2022 combined with the ongoing macroeconomic effects from the Covid pandemic kept on making continuous challenges. The macroeconomic environment was characterised by high uncertainty, following geopolitical tensions and significant increases in inflation and interest rates across the world.

Although the increased interest rates have an impact on KMC's financial expenses, the company's strong portfolio of long triple net lease agreements with solid tenants and CPI adjustments, makes KMC robust in challenging times.

During the year, KMC Properties has kept the focus on further building the organisation and delivering on our growth strategy,

through a series of value-accretive acquisitions and new development projects. The group has further strengthened its financial position through a private placement in November 2022.

On the 29th of November KMC were very happy to announce that the company had divested the property in Russia, following a long and intensive process, lead by KMC Properties CFO.

The company closed the year with 61 properties, valuing the portfolio at NOK 5.4 billion. The company has built a robust organisation and significantly increased the 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>	2022	2021
Rental income	273	205
Change period-on-period	33%	
Net operating income	270	202
Change period-on-period	34%	
Net income from property management	96	56
Change period-on-period	71%	
Profit before tax	282	380
Change period-on-period	(26%)	
Profit after tax	163	305
Change period-on-period	(47%)	
Group property portfolio value	5 366	3 982
EPTRA LTV	56.2%	52.6%
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 2022 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 2022 has been carried out in accordance with the guidelines determined by the annual general meeting in 2022. Performance-related pay for 2022 was determined and will be paid according to the remuneration guidelines.

The company operates performance-related pay schemes for senior executives. For the company’s senior executives, performance-related pay in 2022 is a cash-based variable pay scheme (“STI” – Short-Term Incentive). There were no long-term variable incentive program (“LTI” – Long-Term Incentive) in 2022.

Table 2 – Overview of senior executives

Senior executive	Position
Liv Malvik	CEO
Kristoffer Holmen	CFO
Audun Aasen	COO
Kristoffer Formo	Head of M&A
Ove Rød Henriksen	CAO (from 17.01.22)

Table 3 – Total remuneration to senior executives in 2022 and 2021

Senior executive	Year	Base salary	Benefits	Pension costs	Variable cash salary (STI)	Total remuneration	Fixed pay vs. variabel pay	
Liv Malvik	2022	2 500	16	126	650	3 293	80%	20%
	2021	2 000	25	116	1 500	3 641	59%	41%
Kristoffer Holmen	2022	2 143	8	118	1 000	3 269	69%	31%
	2021	1 000	10	79	1 125	2 214	49%	51%
Audun Aasen	2022	1 300	181	118	555	2 154	74%	26%
	2021	1 200	177	67	600	2 044	71%	29%
Kristoffer Formo	2022	1 300	106	119	130	1 656	92%	8%
	2021	1 098	18	89	600	1 805	67%	33%
Ove Rød Henriksen	2022	1 298	16	113	623	2 049	70%	30%
	2021	-	-	-	-	-	-	-

4.1 Variable remuneration

Cash-based variable remuneration to senior executives is set based on the guidelines determined by the annual general meeting in 2022. 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, the CFO and other senior executives 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.

The board has 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. The variable remuneration will be based on a discretionary evaluation of the development.

During 2022 the rental income increased from NOK 63 million per quarter at the beginning of the year, to NOK 80 million in Q4, a 27 per cent increase. However, the run-rate rental income (contractual rental income the next 12 months from reporting date) increased from NOK 260 million when reporting the Q4 2021 figures (24 February 2022), to NOK 371 million when reporting the Q4 2022 figures (23 February 2023) – a 43 per cent increase. The rental income increase is mainly due to new investments (in addition comes CPI adjustments from 1

January 2023) – KMC Properties invested NOK 1 447 million in existing and new properties during 2022. Net income from property management increased from NOK 56 million in 2021 to NOK 96 million in 2022.

During 2022 no employees have been injured, there have been no significant complaints from tenants, and there has been no significant damage to any properties.

2022 ESG

KMC Properties experiences an increasing focus on environmental, social and governance (ESG) issues from financial institutions, regulatory stakeholders, and the overall society.

In the past year, there have been several regulatory developments impacting KMC Properties. The Norwegian Transparency Act entered into force in July, leading KMC Properties to provide enhanced focus on supply chain management, as reflected in the company's Transparency Act Statement available on its website. The Norwegian technical building regulations (TEK17) were updated in October, giving more attention to the environmental footprint of buildings and setting out a new criterion mandating GHG emissions accounting for new buildings.

At the end of the year, the Norwegian government announced that the transposition of the EU Taxonomy regulation into national law was to be delayed by one year. KMC Properties has therefore not prioritised the Taxonomy in 2022. In January 2023, guidelines were provided and KMC Properties will consider the best approach to meet the disclosure requirements going forward.

In its ESG report for the 2021 financial year, KMC Properties listed key ESG management priorities measures to be completed by 2022. Below is a status of the work completed so far. In addition to this, KMC Properties has invested in energy efficiency measures on its properties, and renewable energy installations.

Target set in 2021	Status 2022
Develop ESG strategy	✓
Develop governing documents (Code of conduct, Suppliers code of conduct, Environmental policy, Human rights policy, Supplier questionnaire)	✓
Digitalise ESG data collection	✓
Establish a whistle-blower channel	✓
Climate risk review according to the TCFD framework	✓
Set gender diversity targets	✓
Prepare for the Norwegian Transparency Act	✓
Establish contact with identified indigenous groups	See ESG report
Prepare for reporting alignment with the EU taxonomy	Postponed to 2023
Further develop acquisition procedures to include environmental issues	Postponed to 2023
Develop an environmental risk assessment plan for existing properties	Postponed to 2023
Develop a carbon emission reduction strategy	Postponed until baseline is established

KMC Properties was listed at NOK 7.00 per share in December 2021. The intraday volume-weighted average price on 31 December 2021 was NOK 10.70 per share compared to NOK

6.80 on 30 December 2022. Compared with chosen peers, KMC Properties shares are performing in the upper range, a proof of the company's solid position also in challenging times.

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%		
Performance agreement part 2: Operational KPIs	Operational performance ESG	25%	50%	75%
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 2022, 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 2022 has been carried out in accordance with the guidelines determined by the annual general meeting in 2022.

Table 6 – Fixed fee structure board and committees 2022

<i>All amounts in NOK thousand</i>	Chair	Member
Board of directors	500	300
Audit committee	55	40
Remuneration committee	35	25

Table 7 – Board remuneration 2022

<i>All amounts in NOK thousand</i>		Year	Board fees	Committee fees	Total remuneration ¹⁾
Anders Dyrseth, chair of the board (until June 2022)	Chair	2022	200	-	200
		2021	400	-	400
Pål Aglen, (chairman of the board from June 2022)	Chair	2022	250	-	250
		2021	N/A	N/A	N/A
Morten E. Astrup	Director	2022	263	28	290
		2021	225	25	250
Stig Wærnes	Director	2022	263	80	343
		2021	225	-	225
Nini H. Nergaard	Director	2022	263	-	263
		2021	225	-	225
Anna Musiej Aanensen	Director	2022	263	73	335
		2021	225	75	300
Marianne Bekken	Director	2022	263	-	263
		2021	225	-	225
John Thoresen (from June 2022)	Director	2022	113	-	113
		2021	113	-	113
Thorbjørn Fjærtøft Pedersen (until June 2022)	Director	2022	113	-	113
		2021	113	-	113
Børge Klungerbo (until June 2021)	Director	2022	N/A	N/A	N/A
		2021	113	-	113

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

5.1 Deviation from policy

In 2022, 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 2018-2022

A summary of the development of the total remuneration of the senior executives serving in 2022, in the five-year period 2017–2022 is provided in the table below.

Table 8 – Senior executive remuneration 2018-2022

<i>All amounts in NOK thousand</i>	2018	2019	2020	2021	2022
Liv Malvik¹⁾					
Total remuneration	N/A	N/A	1 524	3 641	3 293
% change annualised	N/A	N/A	N/A	39%	(10%)
Kristoffer Holmen²⁾					
Total remuneration	N/A	N/A	N/A	2 214	3 269
% change annualised	N/A	N/A	N/A	N/A	(1%)
Audun Aasen					
Total remuneration	N/A	N/A	1 531	2 044	2 154
% change annualised	N/A	N/A	N/A	33%	5%
Kristoffer Formo³⁾					
Total remuneration	N/A	N/A	N/A	1 805	1 656
% change annualised	N/A	N/A	N/A	N/A	(27%)
Ove Rød Henriksen⁴⁾					
Total remuneration	N/A	N/A	N/A	N/A	2 049
% 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.

4) Ove Rød Henriksen was appointed CAP from 17 January 2022.

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>	2018	2019	2020	2021	2022
Anders Dyrseth					
Total remuneration	N/A	N/A	N/A	400	200
% change annualised	N/A	N/A	N/A	N/A	0%
Pål Aglen					
Total remuneration	N/A	N/A	N/A	N/A	250
% change annualised	N/A	N/A	N/A	N/A	N/A
Morten Eivindsson Astrup					
Total remuneration	N/A	N/A	N/A	250	290
% change annualised	N/A	N/A	N/A	N/A	16%
Stig Wærnes					
Total remuneration	N/A	N/A	N/A	225	343
% change annualised	N/A	N/A	N/A	N/A	52%
Nini Høegh Nergaard					
Total remuneration	N/A	N/A	N/A	225	263
% change annualised	N/A	N/A	N/A	N/A	17%
Anna Musiej Aanensen					
Total remuneration	N/A	N/A	N/A	300	335
% change annualised	N/A	N/A	N/A	N/A	12%
Marianne Bekken					
Total remuneration	N/A	N/A	N/A	225	263
% change annualised	N/A	N/A	N/A	N/A	17%
John Thoresen					
Total remuneration	N/A	N/A	N/A	N/A	150
% change annualised	N/A	N/A	N/A	N/A	N/A
Thorbjørn Fjærtøft Pedersen ²⁾					
Total remuneration	N/A	N/A	N/A	113	113
% change annualised	N/A	N/A	N/A	N/A	0%
Børge Klungerbo ³⁾					
Total remuneration	N/A	N/A	N/A	113	N/A
% change annualised	N/A	N/A	N/A	N/A	N/A

1) Fotnoter???

6.3 Development in KMC Properties performance and employee remuneration 2018-2022

The table below presents the development in some of KMC Properties key financial metrics, in the five-year period 2018–2022.

Table 10 – KMC Properties performance 2018-2022

	2018	2019	2020	2021	2022
Rental income	N/A	N/A	52	205	273
Rental income growth	N/A	N/A	N/A	294%	33%
Net income from property management (NOK million)	N/A	N/A	8	56	96
Net income from property management growth	N/A	N/A	N/A	600%	71%

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 2018–2022. Senior executives is excluded from the calculation.

<i>All amounts in NOK thousand</i>	2018	2019	2020	2021	2022
Average base salary employees	N/A	N/A	N/A	814	830
Average variable remuneration employees	N/A	N/A	N/A	155	101
Average pension costs employees	N/A	N/A	N/A	52	59
Average total remuneration employees	N/A	N/A	N/A	1 021	990
Average remuneration growth	N/A	N/A	N/A	N/A	(3%)

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 2022. The remuneration report have been prepared in accordance with section 6-16b of the Norwegian Public Lim-

ited Liability Companies Act. The remuneration report will be presented for an advisory vote at the annual general meeting in 2023.

Trondheim, Norway, 29 March 2023

The board of directors
KMC Properties ASA

Pål Aglen
Chair

Morten Eivindssøn Astrup
Director

Nini Høegh Nergaard
Director

Hege A. Veiseth
Director

Marianne Bekken
Director

Haakon Sæter
Director

John Thoresen
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 2022 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 Management

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. We apply the International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, and accordingly, maintain 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, 30 March 2023
PricewaterhouseCoopers AS

Øystein Sandvik
State Authorised Public Accountant
(electronically signed)

 Securely signed with Brevio

Attestasjonsuttalelse lederlønnsrapport

Signers:

<i>Name</i>	<i>Method</i>	<i>Date</i>
Sandvik, Øystein Blåka	BANKID	2023-04-11 20:43

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