



Remuneration report 2023

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

The year 2023 marked a transformation for KMC Properties. We strengthened our platform through substantial debt refinancing and enlarge of our property portfolio, supported by a wider range of committed banks and investors.

Despite challenges posed by escalating inflation and interest rates marking 2023 one of the toughest years within commercial real estate in a long time, we successfully reduced our overall interest margins and executed strategic accretive acquisitions that added significant value to our company.

Through changing macroeconomic conditions, our tenants demonstrated resilience in line with our expectations. We closed the year with a mere 1.8 per cent vacancy rate, while simultaneously achieving a 50 per cent increase in rental income compared to 2022. Notably, 7.5 per cent of this growth was related to CPI adjustments, with most of the increase related to the expansion of our property portfolio.

The company closed the year with 66 properties, valuing the portfolio at NOK 6.2 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>	2023	2022
Rental income	409.4	272.7
Change period-on-period	50%	33%
Net operating income	404.4	270.2
Change period-on-period	50%	34%
Net income from property management	149.1	95.7
Change period-on-period	56%	71%
Profit before tax	(52)	282.2
Change period-on-period	(118%)	(26%)
Profit after tax	(78)	163.2
Change period-on-period	(148%)	(46%)
Group property portfolio value	6 153	5 366
EPTRA LTV	55.6%	56.2%
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 to senior executives and board of directors (the “board”) for the financial year 2023 was approved at the company’s annual general meeting in 2023. 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 2023 has been carried out in accordance with the guidelines determined by the annual general meeting in 2023. Performance-related pay for 2023 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 2023 is a cash-based variable pay scheme (“STI” – Short-Term Incentive) and share option program (“LTI” – Long-Term Incentive).

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

Table 3 – Total remuneration to senior executives in 2023 and 2022

Senior executive	Year	Base salary	Benefits	Pension costs	Variable cash salary (STI)	Share option program (LTI)	Total remuneration	Fixed pay vs. variabel pay	
Liv Malvik	2023	2 630	16	126	500	222	3 495	79%	21%
	2022	2 500	16	126	650	-	3 293	80%	20%
Kristoffer Holmen	2023	2 104	8	118	785	222	3 237	69%	31%
	2022	2 143	8	118	1 000	-	3 269	69%	31%
Audun Aasen	2023	1 368	189	118	500	222	2 397	70%	30%
	2022	1 300	181	118	555	-	2 154	74%	26%
Kristoffer Formo	2023	1 368	90	119	-	222	1 800	88%	12%
	2022	1 300	106	119	130	-	1 656	92%	8%
Ove Rød Henriksen	2023	1 400	16	113	525	222	2 276	67%	33%
	2022	1 298	16	113	623	-	2 049		

4.1 Variable remuneration

Cash-based variable remuneration to senior executives is set based on the guidelines determined by the annual general meeting in 2023. According to the guidelines, the variable remuneration shall be based on annual income growth, adjusted annual EBITDA, annual finance cost, 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 (STI) for the CEO, the CFO and other senior executives is 50 per cent of the base salary.

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 2023 the rental income increased from NOK 95.6 million per quarter at the beginning of the year, to NOK 106.6 million in the fourth quarter, a 11 per cent increase. However, the run-rate rental income (contractual rental income the next 12 months from reporting date) increased from NOK 371.4 million when reporting the fourth quarter 2022 figures (23 February 2023), to NOK 459.8 million when reporting the fourth quarter 2023 figures (22 February 2024) – a 24 per cent increase. The rental income increase is mainly due to new investments (in addition comes CPI adjustments from 1 January 2024) – KMC Properties invested NOK 877.7 million in existing and new properties during 2023. Net income from property management increased from NOK 95.7 million in 2022 to NOK 149.1 million in 2023.

During 2023 no employees have been injured, there have been no significant complaints from tenants, and there has been no significant damage to any properties.

Employee satisfaction survey

KMC Properties conducted an employee satisfaction survey in 2023, which was followed by a collaborative session with the management team to analyse the results and discuss strategies for further improvement. Notably, the company achieved a satisfactory 69 per cent positive response rate on overall job satisfaction. KMC Properties remains committed to employee well-being, using survey findings to guide upcoming initiatives.

ESG

KMC Properties is experiencing a growing emphasis on environmental, social and governance (ESG) concerns from financial institutions, regulatory stakeholders, and society at large. The employees and management of KMC Properties are dedicated to professionally engaging with ESG, considering it an ongoing and evolving process.

In 2023, there have been several regulatory developments that will guide KMC Properties' continued work with ESG. The Corporate Sustainability Reporting Directive (CSRD)⁴ was adopted by the European Union (EU) and is likely to be implemented in Norwegian law. KMC Properties will have to comply with this in 2026, reporting for full year 2025. The company will start preparing for CSRD in 2024.

A set of targets for ESG initiatives and management action points was communicated in the 2022 report. Below is a status of the work completed so far.

Target set in 2022	Status 2023
Employ an ESG Manager	Done (50% FTE)
Prepare for reporting alignment with the EU taxonomy	Commenced
Further develop acquisition procedures to include environmental issues	Done
Collect energy performance certificate (EPC) for the entire portfolio	Done
Develop procedures to ensure diversity in the recruitment process	Done
Conduct employee surveys	Done
Continue supplier assessments and monitoring	Done
Perform a physical climate risk assessment and create a plan to mitigate the risks	Commenced
Conduct a Double Materiality Assessment	Postponed to 2024
Conduct a gap analysis in preparation for the Corporate Sustainability Reporting Directive	Postponed to 2024
Develop a carbon emission reduction strategy	Postponed until baseline is established
Develop a carbon emission reduction strategy	Postponed until baseline is established

4) The Corporate Sustainability Reporting Directive (CSRD) and the associated European Sustainability Reporting Standards (ESRS) have been adopted by the European Commission to expand the existing, non-financial reporting requirements for companies. The CSRD aims to enhance corporate transparency and sustainability reporting by introducing more comprehensive and standardised disclosure obligations.

The intraday volume-weighted average price on 31 December 2023 was NOK 6.40 per share compared to NOK 6.80 on 30 December 2023. Compared with chosen peers, KMC Prop-

erties 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%	38%	58%
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 2023, 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 2023 has been carried out in accordance with the guidelines determined by the annual general meeting in 2023.

Table 6 – Fixed fee structure board and committees 2023

All amounts in NOK thousand	Chair	Member
Board of directors	525	315
Audit committee	55	40
Remuneration committee	30	30

Table 7 – Board remuneration 2023

<i>All amounts in NOK thousand</i>		Year	Board fees	Committee fees	Total remuneration ¹⁾
Bjørnar Ulstein (from dec 2023)	Chair	2023	45	13	58
		2022	N/A	N/A	N/A
Pål Aglen (until dec 2023)	Chair	2023	514	17	531
		2022	250	-	250
Morten E. Astrup	Director	2023	315	15	330
		2022	263	28	290
Nini H. Nergaard	Director	2023	315	-	315
		2022	263	-	263
Marianne Bekken	Director	2023	315	15	330
		2022	263	-	263
John Thoresen	Director	2023	315	40	355
		2022	113	-	113
Hege A Veiseth (from feb 2023)	Director	2023	275	46	321
		2022	N/A	N/A	N/A
Haakon Sæter (from feb 2023)	Director	2023	275	30	305
		2022	N/A	N/A	N/A
Jonas Grander (from dec 2023)	Director	2023	27	-	27
		2022	N/A	N/A	N/A
Stig Wærnes (until feb 2023)	Director	2023	43	-	43
		2022	263	80	343
Anna M Aanensen (until feb 2023)	Director	2023	100	27	127
		2022	263	73	335

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

5.1 Deviation from policy

In 2023, 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 2019-2023

A summary of the development of the total remuneration of the senior executives serving in 2023, in the five-year period 2019–2023 is provided in the table below.

Table 8 – Senior executive remuneration 2019-2023

<i>All amounts in NOK thousand</i>	2019	2020	2021	2022	2023
Liv Malvik¹⁾					
Total remuneration	N/A	1 524	3 641	3 293	3 495
% change annualised	N/A	N/A	39%	(10%)	6%
Kristoffer Holmen²⁾					
Total remuneration	N/A	N/A	2 214	3 269	3 237
% change annualised	N/A	N/A	N/A	(1%)	(1%)
Audun Aasen					
Total remuneration	N/A	1 531	2 044	2 154	2 397
% change annualised	N/A	N/A	33%	5%	11%
Kristoffer Formo³⁾					
Total remuneration	N/A	N/A	1 805	1 656	1 799
% change annualised	N/A	N/A	N/A	(27%)	9%
Ove Rød Henriksen⁴⁾					
Total remuneration	N/A	N/A	N/A	2 049	2 275
% change annualised	N/A	N/A	N/A	N/A	6%

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 2019-2023

A summary of the development of the board remuneration for the board members serving in 2023, in the five-year period 2019–2023 is provided in the table below.

Table 9 – Board remuneration 2019-2023

<i>All amounts in NOK thousand</i>	2019	2020	2021	2022	2023
Bjørnar Ulstein					
Total remuneration	N/A	N/A	N/A	-	58
% change annualised	N/A	N/A	N/A	N/A	N/A
Pål Aglen					
Total remuneration	N/A	N/A	400	200	531
% change annualised	N/A	N/A	N/A	0%	N/A
Anders Dyrseth					
Total remuneration	N/A	N/A	400	200	N/A
% change annualised	N/A	N/A	N/A	0%	N/A
Morten E. Astrup					
Total remuneration	N/A	N/A	250	290	330
% change annualised	N/A	N/A	N/A	16%	14%
Nini H. Nergaard					
Total remuneration	N/A	N/A	225	263	315
% change annualised	N/A	N/A	N/A	17%	20%
Marianne Bekken					
Total remuneration	N/A	N/A	225	263	330
% change annualised	N/A	N/A	N/A	17%	26%
John Thoresen					
Total remuneration	N/A	N/A	N/A	150	355
% change annualised	N/A	N/A	N/A	N/A	18%
Hege A Veiseth					
Total remuneration	N/A	N/A	N/A	N/A	321
% change annualised	N/A	N/A	N/A	N/A	N/A
Haakon Sæter					
Total remuneration	N/A	N/A	N/A	N/A	305
% change annualised	N/A	N/A	N/A	N/A	N/A
Jonas Grander					
Total remuneration	N/A	N/A	N/A	N/A	27
% change annualised	N/A	N/A	N/A	N/A	N/A
Stig Wærnes					
Total remuneration	N/A	N/A	N/A	335	43
% change annualised	N/A	N/A	N/A	N/A	N/A
Anna M Aanensen					
Total remuneration	N/A	N/A	300	335	127
% change annualised	N/A	N/A	N/A	12%	N/A

6.3 Development in KMC Properties performance and employee remuneration 2019-2023

The table below presents the development in some of KMC Properties key financial metrics, in the five-year period 2019-2023.

Table 10 – KMC Properties performance 2019-2023

	2019	2020	2021	2022	2023
Rental income	N/A	52	205	272.7	409.4
Rental income growth	N/A	N/A	294%	33%	50%
Net income from property management (NOK million)	N/A	8	56	95.7	149.1
Net income from property management growth	N/A	N/A	600%	71%	56%

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 2019–2023. Senior executives are excluded from the calculation.

KMC Properties has strengthened the organisation in 2023 with key employees. The increase in base salary from 2022 to 2023 is due, in addition to the ordinary salary increase, to new employees with a higher salary than the average.

<i>All amounts in NOK thousand</i>	2019	2020	2021	2022	2023
Average base salary employees	N/A	N/A	814	830	929
Average variable remuneration employees	N/A	N/A	155	101	182
Average pension costs employees	N/A	N/A	25	50	58
Average total remuneration employees	N/A	N/A	1 021	982	1 691
Average remuneration growth	N/A	N/A	N/A	(4%)	19%

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 2023. 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 2024.

Trondheim, Norway, 20 March 2024
The board of directors, KMC Properties ASA



Bjørn André Ulstein
Chair



Morten Eivindsson Astrup
Director



Mia Arnhult
Director



Jonas Grandér
Director



Haakon Sæter
Director



Hege A. Veiseth
Director



Marianne Bekken
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 2023 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, 21 March 2024
PricewaterhouseCoopers AS

Chris Håvard Jakobsen
State Authorised Public Accountant
(electronically signed)



Dyre Halses gate 1a
NO-7042 Trondheim

post@kmcp.com
+47 480 03 175

kmcp.no