

Remuneration Policy

Aquaporin A/S, CVR-no. 28315694

1 Introduction

- 1.1 This remuneration policy (the “Remuneration Policy”) for Aquaporin A/S (“Aquaporin” or the “Company”) sets out the framework for remuneration to members of the Company’s Board of Directors and Executive Management. The Executive Management means members of the executive management registered as such with the Danish Business Authority.
- 1.2 The Remuneration Policy has been prepared pursuant to sections sections 139 and 139(a) of the Danish Companies Act and based on the recommendations published by the Danish Committee on Corporate Governance and implemented by Nasdaq Copenhagen A/S.

2 Overall objective

- 2.1 The overall objective of the Remuneration Policy is to attract, motivate and retain qualified members to the Board of Directors and Executive management as the Company’s future development and success is dependent on management performance.
- 2.2 The size and composition of remuneration to members of the Board of Directors and Executive Management shall be determined with a view to promote the strategy and value creation of the Company by supporting both the short and long-term strategic goals. The Remuneration Policy seeks to do so by providing a combination of fixed and variable remuneration which may be subject to achievement of certain predefined targets.

3 Remuneration to the Board of Directors

- 3.1 The remuneration to members of the Board of Directors is designed to be able to attract and retain qualified members to the Board of Directors with the professional and personal competences necessary to ensure the development of the Company, including achievement of the short and long-term goals as well as ensuring the Company’s sustainability.
- 3.2 **Fixed fee structure**
- 3.2.1 Members of the Board of Directors receive a fixed annual base fee while the Chairman receives three times the fixed annual base fee and the Deputy Chairman receives two times the fixed annual base fee for their extended duties.
- 3.2.2 In addition, members of the Board of Directors that serve on board committees may receive additional fixed committee member fees of up to 50% for members of the Audit Committee and up to 25% for members of the Remuneration Committee and the Nomination Committee, respectively, of the fixed annual base fee in relation to work carried out in relation hereto, which takes into account the scope of work of a specific board committee and the committee chairman receives two times the fixed committee member fees for the extended duties.
- 3.2.3 The annual base fee level will be presented each year for approval by the Company’s shareholders at the annual general meeting. The fee level is assessed each year taking into account market levels of listed companies comparable in size and complexity.
- 3.2.4 Members of the Board of Directors shall not receive additional remuneration for board positions held in the Company’s subsidiaries. However, additional remuneration may be offered for board members taking up board responsibilities on behalf of the Company in joint ventures. If payable by the Company, the Board shall determine a fixed remuneration for the work carried out in relation to those tasks. The fixed remuneration will be presented for approval at the following Annual General Meeting.
- 3.3 **Variable remuneration**
- 3.3.1 Remuneration of the Board of Directors shall not include incentive programs including share based programs.

3.4 Ad hoc tasks

- 3.4.1 If a member of the Board of Directors is asked to take on specific ad hoc tasks outside the scope of regular board duties, such member is entitled to a fixed fee for the work carried out in relation to such task. Any ad hoc task shall be approved by the Board of Directors. The size of ad hoc fees may not exceed 100% of the total remuneration paid to a member of the Board of Directors, including any additional fees to the Chairman, the Deputy Chairman and board committee members. Any ad hoc fees paid to the members of the Board of Directors will be disclosed in the Company's remuneration report.

3.5 Expenses, benefits, social duties and similar taxes

- 3.5.1 The Company may reimburse reasonable expenses incurred in connection with participation in board and committee meetings, e.g. travel and accommodation expenses if approved by the Board of Directors or the Chairman.
- 3.5.2 Social duties or other similar taxes in relations to the directors' fees that may be levied by non-Danish authorities may be reimbursed by Aquaporin.

4 Remuneration of the Executive Management

- 4.1 Remuneration to members of the Executive Management shall be designed to attract, motivate and retain qualified members to the Executive Management and support the Company's short and long-term interests and sustainability. The Board of Directors believes that a remuneration package which includes a combination of fixed salary and both short and long-term incentives supports the Company's development by ensuring that members of the Executive Management are incentivised to achieve both the short term financial and operational goals while supporting the long-term sustainability and development of the Company.

4.2 Fixed salary

- 4.2.1 Members of the Executive Management receive an annual fixed salary. The fixed salary shall be competitive and reasonable compared to what is customary among relevant companies of the same size and complexity.
- 4.2.2 In addition to the annual fixed salary, members of the Executive Management may receive monthly pension contributions with a yearly value of up to 10% of the annual fixed salary.
- 4.2.3 Members of the Executive Management shall not receive additional remuneration for board positions held in the Company's subsidiaries or joint ventures. However, members of the Executive Management that hold directorships in companies that are not controlled by the Company may to the extent determined by the Board of Directors receive a remuneration alongside other directors of such companies, when the members of the Executive Management serve directorships in such companies as representatives of the Company.

4.3 Variable remuneration

- 4.3.1 In addition to the annual fixed salary the Executive Management receives variable remuneration. The variable remuneration reflects both the short- and long-term performance of the Company.
- 4.3.2 Members of the Executive Management may be eligible to receive an annual performance based cash bonus and may participate in a long-term incentive program in the form of a share-based scheme in order to align the interests of Executive Management with the interests of the shareholders and the Company's development. Such program may comprise of warrants, restricted share units ("RSUs"), performance shares, stock options or shares as determined by the Board of Directors.
- 4.3.3 The annual variable remuneration for the Executive Management shall be relative to the annual fixed salary as follows;

- (a) Cash bonus: Maximum levels may be 50% of fixed salary on target level and 100% of fixed salary at maximum pay-out levels
- (b) Share based instruments: Maximum levels may be 50% of fixed salary on target level at time of grant and capped at 100% at the time of grant.

4.3.4 In addition, Aquaporin may award extraordinary awards in special circumstances to members of the Executive Management, see also item 5 on extraordinary award.

4.3.5 Cash bonus

4.3.5.1 Members of the Executive Management may be eligible to receive an annual performance based cash bonus. The performance criteria shall be determined by the Board of Directors and may include both financial and non-financial targets related to the Company's strategy and key performance indicators. The level of achievement of the financial targets may be determined through the Company's results as presented in financial reports and achievement of non-financial targets as assessed by the Board of Directors.

4.3.5.2 The bonus pay-out level shall be defined by a target achievement and shall be capped at a certain percentage of the individual fixed annual salary, and the target and maximum pay-out levels may at a maximum be set at 50% and 100% of the annual fixed salary, respectively.

4.3.5.3 The bonus shall be based on target achievement on a number of parameters approved by the Board of Directors including financial and commercial KPIs such as revenue, EBITDA and as well as any other approved individual KPIs aligned to the strategic priorities of the financial year, which may include completion of strategic projects, successful completion of pilot projects, customer and employee satisfaction, sustainability related targets as well as targets related to individual performance.

4.3.6 Share based remuneration

4.3.6.1 The Executive Management is currently eligible for participation in a share based long term incentive programme in the form of warrants. If the Board of Directors decide to implement a different form share based incentive programme similar principles as those set out in this section shall apply.

4.3.6.2 The objective of the programme is to retain members of the Executive Management, create long-term shareholder value, and ensure achievement of Aquaporin's long-term strategic goals in a sustainable way.

4.3.6.3 For any financial year, the Executive Management may be rewarded with warrants based on achievement of certain targets. The targets may be KPIs based on financial targets including revenue, EBITDA and as well as any other approved individual KPIs aligned to the strategic priorities of the financial year, which may include completion of strategic projects, successful completion of pilot projects, customer and employee satisfaction, sustainability related targets as well as targets related to individual performance. All KPIs and targets are defined by the Remuneration Committee and approved by the Board.

4.3.6.4 The annual target number of warrants may at the time of grant amount to a maximum value of 50% of the annual fixed salary for the Executive Management at a target achievement and capped at 100% at the time of grant.

4.3.6.5 However, the actual value of warrants, which may be exercised by the Executive Management is capped at a maximum value of the warrants at 400% of the annual fixed salary at the time of grant. If the cap is reached the number of warrants that may be exercised will be adjusted downwards accordingly.

- 4.3.6.6 The value at the time of grant and vesting, respectively, shall be calculated using Black-Scholes or similar recognized valuation method.
- 4.3.6.7 The programme shall be based on a three years performance or vesting period. The actual number of warrants to be granted is dependent on the performance in the performance period, and will be adjusted upwards or downwards, based on the performance on the selected KPIs. The overall performance measurement is decided by the Board of Directors and evaluated annually to reflect the current strategic priorities and the long-term value creation. The Remuneration Committee will evaluate the selected KPIs annually and may redefine or adjust these for any individual performance year, subject to approval by the Board of Directors. For any financial year, the target number of warrants will be evaluated by the Remuneration Committee based on the market level for long-term incentives for comparable positions.
- 4.3.6.8 The main terms of the programme are disclosed in connection with the Board of Director's approval of the programme.
- 4.3.6.9 Granting of warrants under the programme is contingent on continued employment at the time of vesting, subject to certain good leaver provisions.
- 4.3.6.10 The warrants are granted free of charge as annual revolving grants with a three year vesting period and a subsequent two year exercise period. This vesting and exercise periods established ensure a long-term connection to the share price development for the remuneration of the Executive Management. The development of Aquaporin's share price is a direct indicator of the sustainability of the company – both by displaying the long-term economic condition of the Company and due to the correlation of sustainable and responsible companies and better long-term performance.
- 4.3.6.11 The number of warrants may be adjusted in the event of changes in Aquaporin's capital structure.
- 4.3.6.12 Exercise of warrants may take place up to four times each year during open trading windows following publication of the Company's annual report, interim reports and trading statements or in other periods if so determined by the Board of Directors.
- 4.3.6.13 In the event of a public takeover offer, change of control, merger, winding-up or demerger of the company, accelerated vesting may extraordinarily take place.
- 4.3.6.14 The Board of Directors is entitled to amend or discontinue one or more incentive programs established in accordance with the Remuneration Policy, including any KPI, provided that such amendment or discontinuance is deemed necessary to obtain the objective of the Remuneration Policy, falls within the general principles of the Remuneration Policy and is not assessed to affect the overall scope and objective of the approved incentive program(s). Substantial amendments that cannot be contained within the current Remuneration Policy are subject to approval by the general meeting.
- 4.3.6.15 The Board of Directors may decide to shorten the vesting period of long-term incentives for newly appointed members of the Executive Management in order for such member to participate in already established long-term incentive programs.

4.4 Benefits

- 4.4.1 Members of the Executive Management may receive customary employee benefits, such as telephone, computer and internet, as well as other benefits, including company car or company car contributions. In addition, members of the Executive Management may to the extent relevant also be offered relocation benefits, e.g. housing allowance, children's school tuition fee and tax advice. The annual value of such benefits and allowances may not exceed 50% of the fixed annual salary.

5 Extraordinary awards

- 5.1 In order to achieve the overall purpose of this Remuneration Policy and serve the interests of the Company and its shareholders, the Board of Directors may in special circumstances decide to award members of Board of Directors or the Executive Management with a one-off bonuses, such as sign-on bonuses, one-off relocation costs, retention bonuses, transaction related bonuses and/or extraordinary workload over a longer period or significant expansions of the responsibilities or bonuses for other extraordinary performance or other extraordinary variable remuneration.
- 5.2 An extraordinary award may be granted in cash, shares or share-based instruments, such as warrants, as determined by the Board of Directors except that the Board of Directors may not participate in share based incentive programmes. The value of an extraordinary award shall be determined by the Board of Directors, but may in no event exceed 150% of the fixed annual salary.

6 Adjustment of incentive programmes

- 6.1 The Board of Directors may decide that specific terms shall apply for accelerated vesting and adjustment of the warrant programs applicable to the Board of Directors and the Executive Management in case of a takeover in whole or in part, significant divestures of activities, demerger, merger or other changes of the Company.
- 6.2 Further, the number of shares to be subscribed for and the exercise price may be adjusted in case of certain changes to the Company's capital structure, if such changes would materially influence the value of the warrant programme.

7 D&O insurance and indemnification

- 7.1 The Company has taken out customary D&O insurance covering the Board of Directors and Executive Management.
- 7.2 To the extent such insurance coverage should prove to be insufficient, the Company may in certain cases decide to indemnify members of the Board of Directors and the Executive Management, to the fullest extent permitted by law, for additional claims that a member of the Board of Directors personally incurs, subject to such claims not being caused by wilful misconduct or otherwise criminal offences on behalf of the member of the Board of Directors and Executive Management.

8 Clawback

- 8.1 In exceptional cases, the Company is entitled to reduce, withhold or reclaim, in full or in part, variable remuneration that is earned, granted or paid on the basis of information, which subsequently proves to be misstated or if a member of the Executive Management is deemed to have caused a material loss to the Company due to wilful misconduct or acted in bad faith in respect of other matters which implied payment of a too large variable remuneration.

9 Term and termination of employment contract

- 9.1 Members of the Board of Directors are elected by the general meeting for a term of one year. Re-election may take place. Members of the Board of Directors are not entitled to separate payments in relation to their resignation from the Board of Directors.
- 9.2 Members of the Executive Management are employed on individual contracts, which are generally entered into on an indefinite term with a mutual right of termination. The notice period may be up to 6 months for the member of the Executive Management and up to 12 months for the Company.
- 9.3 Remuneration paid to a member of the Board of Directors during a notice period, including any severance payment, may not exceed two years' remuneration, including all remuneration components.

10 Relationship to remuneration paid to the Company's employees

- 10.1 In the preparation of this Remuneration Policy, the Board of Directors has taken into account the terms of employment for employees of the Company other than the members of the Executive Management and Board of Directors.
- 10.2 Taking into account the responsibility and the duties of member of the Executive Management and the Board of Directors, the Board of Directors find that there is an appropriate balance between the remuneration and employment terms of the members of the Executive Management and Board of Directors and remuneration and employment terms of the Company's other employees.

11 Deviations from this policy

- 11.1 If deemed necessary in order to ensure the long-term interests of the Company and to meet the overall objectives of this Remuneration Policy, the Board of Directors may in special cases deviate from the principles set out herein. Such deviations may include one-off bonuses, changes to the relative proportion of the remuneration components, changes to the vesting and exercise period of incentive programmes, changes to the maximum value of short-term incentives, changes to the long-term share-based program, including maximum value and duration of the program as well as changes to the term and termination provisions of contracts entered into with members of the Executive Management.
- 11.2 Deviations are subject to prior approval by the Board of Directors and shall be described and motivated in the Company's annual report or remuneration report.

12 Approval process

- 12.1 The Board of Directors is responsible for preparing the Remuneration Policy which shall be approved by the general meeting. The Remuneration Policy will be reviewed by the Board of Directors at least once a year and updates to the Remuneration Policy will be proposed to the general meeting.
- 12.2 The Remuneration Committee shall prepare the annual review and make recommendations on relevant updates of the Remuneration Policy. Any amendments to the Remuneration Policy shall be approved by the Board of Directors prior to being presented to the annual general meeting.
- 12.3 The Remuneration Policy shall be presented to the general meeting for approval at least every four years and upon any material amendments.
- 12.4 To avoid conflicts of interests, any remuneration paid to members of the Board of Directors shall be approved by the general meeting. Remuneration paid to members of Executive Management shall be approved by the Board of Directors and must comply with the principles of the Remuneration Policy. Further, any material amendments to the Remuneration Policy are subject to the approval of the general meeting.

13 Remuneration report

- 13.1 The Board of Directors shall annually prepare a remuneration report which provides an overview of remuneration paid to members of the Board of Directors and Executive Management on both an aggregate and an individual level. The remuneration report shall be submitted to the general meeting for an advisory vote.

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This Remuneration Policy has been approved by the annual general meeting on 11 June 2021 and is available on the Company's website.