

# Remuneration policy

## 1. Principles of remuneration

The aim of the Remuneration Policy is to attract and retain both members of the Board of Directors and members of the Executive Board, ensuring an appropriate balance between the interests of the shareholders on the one hand and members of the Board of Directors and members of the Executive Board on the other hand. Furthermore, the Policy aims to motivate members of the Executive Board with financial incentives based on their performance and results achieved in an appropriate alignment of interests with the shareholders.

The remuneration of DFDS' Board of Directors and Executive Board aim to be on terms at par with comparable companies. This Policy has been established taking into consideration the remuneration and other terms of employment of DFDS employees as well as DFDS' strategy, long-term value creation and sustainability. The Board of Directors considers that there is an appropriate balance between employee and management remuneration, considering both market practice for remuneration in comparable listed companies and considering the responsibilities and duties of the members of the Executive Board compared to other employees. The principles for long-term incentives for key employees in the Company and for the Executive Board are aligned. With regard to terms of resignation, the Board of Directors considers that the comparatively longer resignation periods for the members of the Executive Board reflect market practice and are appropriate as part of the overall remuneration package to the members of the Executive Board.

## 2. Remuneration of the Board of Directors

Members of the Board of Directors ("Directors") receive a fixed annual fee ("Base Fee") which is set in relation to the scope and complexity of their work and in relation to fees in comparable listed companies. The Chairman may receive up to 3 times the Base Fee and the Deputy Chairman may receive up to 2 times the Base Fee.

The Chairman of the Audit Committee may receive up to an additional Base Fee while other members may receive up to half the Base Fee. The Chairman of each of the Remuneration Committee and the Nomination Committee may receive up to half the Base Fee while other members may receive up to one-third of the Base Fee.

The Directors are not covered by a pension scheme. The Directors are covered by a customary D&O insurance policy with coverage deemed sufficient by the Board of Directors in relation to the size and nature of the business of DFDS. To the extent that insurance coverage proves insufficient DFDS may in certain cases cover additional claims.

The Board of Directors has no incentive scheme, however employee-elected directors may receive incentive pay in their capacity as employees of DFDS. In addition to the above fees DFDS may pay contributions towards meeting social security taxes imposed by foreign authorities on such fees.

Reasonable expenses incurred by the Directors in connection with board and/or committee meetings may be reimbursed by DFDS. Directors acceding or resigning during an election period will receive a pro rata share of the annual fees.

If a Director in agreement with the Board of Directors takes on ad hoc tasks such Director may receive an ad hoc fee for the work carried out. Such ad hoc fee must subsequently be presented in the notes to the annual report and/or the remuneration report.

The remuneration of Directors is assessed annually by the Board of Directors based on recommendations of the Remuneration Committee; remuneration components will be assessed based on a benchmark against relevant Danish and international peers.

The remuneration of Directors for an accounting year is approved by the shareholders at the Annual General Meeting held during such accounting year. Directors are elected for a period of one year at a time.

### **3. Remuneration of the Executive Board**

The remuneration of the Executive Board consists of a fixed salary and a variable salary, the latter consisting of short-term (a cash bonus scheme) and long-term components (a share-option scheme ). The combination of fixed and variable salary components is aimed to support the DFDS strategy by rewarding short-term financial performance as well as long-term sustainable value-creation.

The Board of Directors may extraordinarily in the long-term interest of DFDS decide to award individual members of the Executive Board one-off bonuses, sign-on bonuses or retention bonuses. Such extraordinary incentives may consist of cash and/or share options and should not exceed the annual base salary for the relevant position.

The Executive Board is covered by a customary D&O insurance policy with a cover deemed sufficient by the Board of Directors in relation to the size and nature of the business of DFDS. To the extent that insurance cover proves insufficient DFDS may in certain cases cover additional claims.

What	Why	How	How much	Performance measures
Base salary	Set at a level which allows DFDS to attract, engage and retain talent needed to drive long-term value creation.	Set annually, taking into account a range of factors including: (i) the individual's skills, performance and experience; (ii) increases for the broader workforce; (iii) external market data amongst Danish and international peers; and (iv) the scope and responsibilities of the role.	No maximum salary levels.  Salary increases are set taking into account the factors set out on the left.	N/A
Pension	Same as above.	Contributions are made to the Danish defined contribution pension arrangement.	At the level of the contributions made for Danish DFDS salaried employees (currently 10% of the annual base salary).	N/A
Benefits	Same as above.	Benefits include but are not limited to: company car; phone; private health care and general staff benefits.	There is no maximum value of the benefit package.	N/A

What	Why	How	How much	Performance measures
Short-term incentive plan – annual bonus	To incentivise delivery of DFDS's short-term objectives and to ensure a clear link with value creation.	Performance measures and targets are normally set annually by the Board of Directors.  Pay-outs are determined by performance against the targets. The Board of Directors may also retain a discretionary right to award a bonus not exceeding a maximum of 25% of the total bonus scheme.	The award in respect of a financial year is 0 - 100% of the base salary.	Performance is measured against a range of key financial, non-financial and individual performance metrics.  The specific measures, targets and weightings may vary from year to year in order to align with DFDS's strategy over each year.  Information on measures in any given year will be outlined in the appropriate annual remuneration report.
Long-term incentives	To incentivise and reward long-term value creation and align with shareholders' interest.	Award of share options is not dependent on achieving specific targets, however their values are linked to DFDS's share price and its development. The duration of the share options is five years and they may be exercised after three years assuming that the member of the Executive Board is employed with the Company at the time of exercise.	The maximum award in respect of a financial year is 100% of annual base salary calculated according to the Black-Scholes model. Options are awarded at an exercise price 10% above the average share price during the last 20 days of trading before the award.	Exercise is not subject to performance measures, but the value of the options will be measured on the basis of development in share price.

			<p>The value at vesting is dependent on share price performance. The gross return for an annual grant cannot exceed five times the individual's base salary at the time of award, calculated as at the first day of the exercise period. Where the return is calculated to exceed that threshold the number of options shall be reduced as necessary to reach the threshold. In such cases, awards would be scaled back accordingly.</p>	
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The share option scheme is not dependent on achieving specific performance targets over the vesting period. The Board of Directors has considered the introduction of performance metrics such as the achievement of defined performance targets or benchmarking against an agreed group of comparable listed companies. For now, it remains the view of the Board of Directors that there are inherent difficulties in defining a set of performance metrics and targets that remain relevant over a three to five years period or establishing a sufficiently broad group of comparable listed companies. This mean that the Board of Directors believes that the long-term alignment of interests between DFDS shareholders and the Executive Board is sufficiently served through the simplicity of the stock market's collective valuation of the DFDS share and thereby the valuation of the share options. The options of the Executive Board's share-option scheme shall be covered through the Company's holding of own shares. The Company receives no payment on account of the grant of the options. The duration of the options is five years and the options may be exercised after three years, subject to continued employment including usual good leaver/bad leaver provisions.

## 4. Clawback

Clawback and malus provisions apply to both short term and long term incentive schemes if the Board of Directors decide to reclaim some or all of a variable remuneration where payment was based on misstated data or where a member of the Executive Board has acted grossly negligent or fraudulently.

## 5. Termination and severance payment

The members of the Executive Board are usually employed for an indefinite term, may resign by giving six months' notice and may be terminated subject to a 12 months' notice, although specific notice arrangements apply to a change of control in line with market practice. Information about severance arrangements for the members of the Executive Board is presented in the notes to the annual report and/or the remuneration report and severance payment cannot exceed 24 months.

## 6. Deviations from the Remuneration Policy

DFDS may exceptionally deviate from this Policy where a deviation will serve the best interests of DFDS and its shareholders. Any such deviation shall be approved by the Board of Directors based on a substantiated recommendation by the Remuneration Committee and must be detailed in the subsequent annual report and/or the remuneration report.

## 7. Process

This Remuneration Policy will be reviewed annually by the Remuneration Committee while any change hereto is subject to approval by the Board of Directors. The risk of conflicting interests is remedied as the Remuneration Policy is approved by the Board of Directors, that receives no variable incentives, and furthermore all material changes must be approved by the Annual General Meeting of DFDS. This Remuneration Policy has been prepared in accordance with Sections 139 and 139 (a) of the Danish Companies Act and the Danish Recommendations on Corporate Governance.

The current remuneration policy will be available on [www.dfds.com](http://www.dfds.com).

This Remuneration Policy has been approved by the Board of Directors on 24 February 2020 and by the Annual General meeting of DFDS held on [4 June 2020].