

DFDS Remuneration Policy 2021

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Purpose

This Remuneration Policy (“Policy“) sets the framework for remuneration of the members of the Board of Directors (“Board“) and the Executive Board of DFDS A/S (“DFDS“). It outlines the principles of remuneration design, the total remuneration by components and how each component supports the achievement of the strategy and the long-term interest and sustainability of DFDS.

The Policy has been prepared in accordance with Sections 139 and 139a of the Danish Companies Act.

Objectives

The Policy aims at enabling an appropriate remuneration package for the Executive Board and for the Board, ensuring that DFDS can attract, engage and retain the right profiles for executive roles.

Further, the Policy aims at enabling a total remuneration approach that links DFDS’ business strategy with the interests of DFDS’ shareholders, whilst duly considering the industry dynamics that impact DFDS. These objectives are outlined in Box 1.

Consideration of wider employee group and stakeholder views

The remuneration reviews and decisions for the Executive Board follow the same remuneration principles as applied for the wider employee group:

- Total target remuneration is based on the role, individual experience, skills, and sustained performance level.
- The remuneration level and relative weight of the remuneration components reflect market practice for the roles and the fit to business needs and priorities.
- The short-term incentive components are based on the annual business performance metrics, divided between financial, strategic, and sustainability related targets. These components also apply to senior business leaders to emphasize the organizational accountability and drive collaboration.
- The long-term incentive components are designed according to the same principles for the Executive Board and for senior business leaders to emphasize the wider accountability of the sustained value creation for DFDS.
- Benefits are tailored to the requirements to the position and the local market where the individuals are employed.
- Remuneration is reviewed annually.

To further support stakeholder views, the Remuneration Committee of DFDS (“Committee“) has defined a list of peer group companies to represent the market which DFDS compares to, based on size, market value, number of FTE’s, and geographical reach of operations). The Committee reviews the selected companies in the peer group annually.

Box 1: Objectives of Policy

Ensure appropriate total remuneration: The remuneration design and decisions are guided by market practice to ensure the remuneration is enabling attraction, engagement and retention of executive leaders.

Align with shareholder interest: A sizeable part of the remuneration of the Executive Board is delivered in the form of share-based components to align the interests of executive leaders directly with those of shareholders.

Drive sustainability: The remuneration approach incentivises executive leaders to focus on delivering goals that support the sustainability of DFDS and the wider society, reflected in the short-term remuneration components.

Link to industry dynamics: The Policy considers the cyclical nature of the Transportation and Logistics industry, seeking to balance explicit links between short-term incentives, priorities and performance with flexibility for the Board to adjust priorities under extraordinary circumstances (ref. Section 2, ‘Short-term incentives’ further below).

Link to business strategy: The remuneration approach aims at incentivising executive leaders to focus on delivering DFDS’ operational and strategic goals, reflected in a combination of short and long-term remuneration components.

Remuneration Committee

The Committee consists of three members of the Board and meets at least three times per year. The Committee meetings are attended by DFDS' Chief People Officer. The Chief Executive Officer participates as appropriate.

Decision-making process

The Committee is overall responsible for review and recommendation in respect of the remuneration of the Executive Board and the Board of Directors. This includes:

- Annual review of the Policy for appropriateness, considering corporate governance, market practice and fit to business strategy.
- Annual review of the remuneration terms of the Executive Board, including performance metrics applied to short-term incentives (content, weight and scale to reflect the business priorities).
- Annual review of the long-term incentive grant levels and terms in advance of grants being delivered.
- Annual review of fees payable to the members of the Board.

The outcomes of the reviews and suggested changes are presented to the Board for approval. If changes are outside the current remuneration policy and agreed by the Board, these will be brought to the shareholders for approval as part of the agenda on the Annual General Meeting.

Conflict of interest

As the Committee discusses and prepares proposals for the Board, individual members and anyone else present at the Committee meeting are obliged to disclose any conflict of interest without delay. A conflict of interest will result in either 1) the Committee member and/or meeting participant leaving the meeting or 2) the conflict of interest being highlighted to the Board, as part of introducing a proposal.

Remuneration of Board of Directors

In line with market practice of other companies listed on Copenhagen Nasdaq all members of the Board are paid a fixed annual fee. The fee is calculated by a fixed base amount which is multiplied according to the requirements and responsibilities of the role of the individual board member. The fee is composed by multiples as outlined in Table 1.

In addition to the fixed fee, Board members serving on Board Committees receive an additional fee, depending on type of committee and/or role.

Further, Board members performing any additional duties beyond the normal responsibilities as a Board member may receive an additional fee.

The remuneration is reviewed once a year.

The Board members are not entitled to any incentive-based remuneration.

Remuneration Committee – Annual Wheel

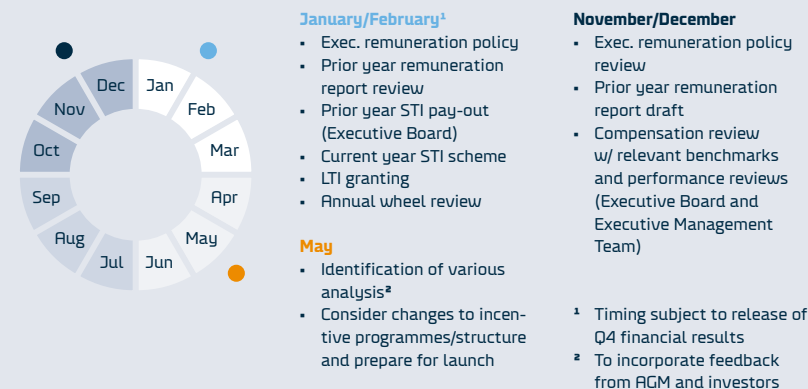


Table 1: Remuneration structure – Board of Directors – Fixed Fee multiples

	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee
Chair	3	2/3	2/15	2/15
Vice Chair	2			
Member	1	1/3	2/15	2/15



Remuneration of Executive Board

The remuneration structure for the Executive Board reflects the objectives outlined in Box 1 (section 1) and is further detailed in Table 2 and the following sections.

Base salary

The base salary is the annual guaranteed cash wage awarded to the Executive Board member. The base salary is normally reviewed by the Board once a year. The Board may consider off-cycle reviews if suggested by the Committee in certain extraordinary circumstances.

Short-term incentives

The target short-term incentive is set at 40% of base salary, and the actual pay-out opportunity ranges from 0% to 80%.

Within each of the three performance areas (cf. Table 2), specific targets and metrics are set at the start of the financial year based on a proposal from the CEO. The targets and metrics are selected to reflect the specific business goals for the financial year and should cover a combination of financial, strategic, and individual performance areas. Financial targets have a weight of at least 60%.

The proposal is reviewed, elaborated and decided upon by the Committee. The Committee may also take broader

Table 2: Remuneration structure – Executive Board

Component	Purpose	Link to performance	Size/value of component
Base salary	Recognise market value, the nature of the role in terms of scale, complexity and responsibility and the Executive Board members' experience, sustained performance and contribution.	Indirectly linked to DFDS' performance through the Executive Board member's sustained performance level.	No pre-defined maximum salary level but determined according to 'Purpose' (ref. explanation to the left)
Short-term incentive	Reward the achievement of DFDS' annual goals guided by the long-term business strategy.	Divided between the following performance areas: 1. DFDS' financial performance (e.g. ROIC, Profit before Tax), at least 60% 2. DFDS' strategic performance (e.g. sustainability, transformation) 3. Individual performance. The performance areas are further detailed below, under 'Short-term incentives'.	Target: 40% of annual base salary Maximum: 80% of annual base salary Performance area 1 is evaluated based on meeting the financial targets, whereas 2 and 3 are based on a discretionary assessment by the Board. Information on measures in any given year will be outlined in the relevant annual remuneration report.
Long-term incentive	Reward the achievement of DFDS' long-term goals through share-based instruments and support executive retention (ref. Table 3 for more details).	Directly linked to the stock market performance of DFDS through the share price development.	40% of annual base salary Maximum: 80% of annual base salary
Pension	Provide for the Executive Board members' pension related needs.	N/A	Equal to level of contributions made for Danish DFDS salaried employees (currently 10% of the annual base salary).
Benefits	Provide for the Executive Board members' work-related equipment.	N/A	E.g. company car, free telephone/ other devices, domestic broadband access, relevant newspapers.
Termination	Apply termination conditions to the Executive Board member aligned with general market conditions for the role.	N/A	Executive Board member: Six months' notice in case of resignation. DFDS: Twelve months' notice in case of termination.

views to consider other relevant metrics directly or indirectly supporting the business strategy. The final proposal is subject to approval by the Board.

Following the end of a financial year, the Board reviews the business performance of the set targets and metrics against data sources which may include audited financial figures,



key performance indicators with tracking available as well as any relevant internal assessments. Performance for any qualitative metric(s) will be at the Board discretion, if applicable.

In case of extraordinary circumstances and/or unforeseen events (ref. Link to Industry Dynamics in section 1, Box 1) significantly impacting for example the financial performance, DFDS' strategy, safety, environment or society, the Board can decide to deviate from the performance targets and metrics. In such case, the Board of Directors has a discretionary right to award a bonus not exceeding a maximum of 40% of the annual base salary.

Long-term incentives

The long-term incentives are currently set at 40% of the annual base salary. The Board has the option to increase this up to a maximum of 80%. The incentives consist of two components, Restricted Share Units ("RSU's") and Share Options.

The long-term incentive components are in place to link the remuneration of the Executive Board member to the sustained performance of DFDS (as reflected in the share price) whilst at the same time support the retention of Executive Board members.

The award is split 50/50 between RSU's and Share Options to support the long-term retention of the Executive Board by taking into account potential short-term fluctuations in share price that may impact the value of share options negatively.

The key aspects of the long-term incentive components are set out in Table 3.

Table 3: Key aspects of Long-term incentives

Component	RSU's	Share options
Purpose	To link the Executive Board member's total remuneration to the sustained and long-term performance of DFDS, and support attraction and retention.	
Key features	<ul style="list-style-type: none"> RSU's have a three-year vesting period. The actual value of RSU's is directly linked to DFDS' share price. 	<ul style="list-style-type: none"> A Share Option award gives the right to purchase one DFDS share based on the exercise price. The Share Option has a three-year vesting period. Any vested Share Option must be exercised within two years of the vesting date or they will expire. The Share Option value is calculated based on the Black Scholes Valuation Model. The exercise price is calculated as Share price at grant plus 10%.
Grant value	<ul style="list-style-type: none"> The long-term incentives are set at 40% of the annual base salary. The Board has the option to increase this up to a maximum of 80%, pro-rated based on the actual employment period in the year of the grant. The number of RSU's awarded is determined corresponding to a percentage of the individual Executive Board member's annual base salary divided by the grant share price. The number of Share Options is calculated based on the percentage of the individual Executive Board member's annual base salary divided by the Share Option value derived from the Black Scholes Valuation Model at grant. The Share price at grant is set as the volume weighted average share price of DFDS A/S shares, traded on NASDAQ Copenhagen on the five trading days immediately following publication of DFDS's financial report most recent to the time of grant (Annual or quarterly). 	
Shareholding requirements	The Long-term incentives program is conditioned by shareholder requirements of six months, meaning that the Executive Board member must refrain from selling shares acquired as share awards until a minimum holding corresponding to the equivalent of six months' salary has been obtained.	
Cap	The total gain is capped for each grant when the total market value of RSU's and Share Options at the first day after vesting period is five times higher than the individual's base salary at the time of grant. If the total market value exceeds that threshold, the number of Share Options shall be reduced as necessary to reach the threshold. In such cases, awards would be scaled back accordingly.	
Leaver provision	<p>If the Executive Board member is a 'good leaver' (i.e. termination is initiated by DFDS without cause) he or she will retain the unvested awards following the original vesting schedule.</p> <p>If the Executive Board member resigns from DFDS he or she only retains accumulated RSU's following the original vesting schedule.</p> <p>If the Executive Board member is terminated with cause, any unvested RSU's will be forfeited.</p>	<p>If the Executive Board member is a 'good leaver', (i.e. termination is initiated by DFDS without cause) he or she will retain the unvested awards following the original vesting schedule.</p> <p>If the Executive Board member resigns from DFDS he or she only retains accumulated Share Options following the original vesting schedule.</p> <p>If the Executive Board member is terminated with cause any unvested as well as any vested, but unused Share Options will be forfeited.</p>



The share option and RSU scheme is not dependent on achieving specific performance targets over the vesting period. The Board 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 and RSU's.

Pension and Benefits

The total benefits provided to the Executive Board members include pension scheme, company car and telephone/other devices, domestic broadband access and newspaper subscriptions.

Termination

The Executive Board member can resign from DFDS by giving six months' notice, and DFDS may terminate the contract by giving the executive twelve months' notice. In the event of termination by DFDS, a severance payment of twelve months of the remuneration package (Basic salary, Pension and target STI) may be paid.

In the event of change of control in DFDS, the Executive Board member may elect to trigger termination by DFDS.

Treatment of share-based awards follows the leaver provision described in Table 3 above ('Leaver provision').

The Executive Board member also has a non-competition clause in the service contract which restricts the individual to participate (directly or indirectly) in any com-

petitive business competing wholly or partly with DFDS within twelve months following the date of release from duty, unless otherwise approved by the Board.

Right of amendments

For short-term and long-term incentive awards provided as of 1 January 2021 or later, the Board can reduce the size of the awards before (Malus) and after (Claw-back) payment/vesting/exercise in case of a triggering event that has resulted in a material financial or reputational loss for DFDS. In addition, under such provision, if an award is subsequently proven to be based on misstated information or individual misconduct, the Board is entitled to demand full or partial repayment of the award to the extent possible under the applicable law. These awards can be recovered (or 'clawed-back') up to 24 months after exercising of the awards.

In the event of merger or change in control, the Board is at its sole discretion to amend the general terms and conditions of the incentive plans not limited to complying with local requirements or changes in statutory law. Such discretion may include but is not limited to the size and time of the award, the vesting conditions and treatment of the unvested awards. The information is further detailed in the general terms and conditions of the incentive components.

Implementation of such amendment will be documented and disclosed in the Remuneration Report for the respective financial year.

Deviation from the Policy

In the event of exceptional circumstances, including, but not limited to, exogenous shocks, force majeure or M&A, the Board may decide to deviate from the Policy to safeguard the long-term interests of DFDS and the shareholders.

The Board may offer extraordinary compensation such as one-off bonus, additional share award or others when it deems it appropriate. Such discretion shall only be approved based on verifiable criteria and application of the derogation will be disclosed in the Remuneration Report for the respective financial year.

Approval and publication

This Policy will be presented for approval at DFDS' Annual General Meeting 2021. Subject to shareholder approval, it will take effect from 2021 and be in force for the subsequent 4 (four) years. However, the Committee may seek approval for a new Policy at an earlier point, if deemed necessary.

The Policy is approved at the Annual General Meeting in 2021 and thereafter published and available on DFDS' website.