



# REMUNERATION POLICY FOR THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

## 1. GENERAL PRINCIPLES

The principles in NORDEN's Remuneration Policy reflect the Company's objective of attracting and retaining competent managers, which is essential in order for the Company to create long-term value for its shareholders.

The chosen principles in the Remuneration Policy are established to support our overall purpose of enabling smarter trade and our current business strategy of transitioning to a more asset light business to generate higher returns on equity. To ensure this achievement and the long-term sustainability of the Company, we need to attract and retain talented managers, and it is important that both short and long-term interests between the Board of Directors (the Board), the Executive Management and the Company's shareholders are aligned.

The allotment of incentives will be made with due regard to the Company's results and targets, competitive environment, market situation and outlook, purpose of the individual instruments and, where relevant, personal performance. The administration of incentives ensures that the incentive-based remuneration does not lead to carelessness, unreasonable conduct or inexpedient acceptance of risk.

The Remuneration Policy has been carefully determined to ensure that the remuneration of the Board and the Executive Management reflects the responsibilities and skills required of each role relative to peers, as well as to other senior leadership positions in the Company. The Board also considers a variety of risks, including talent and operational risks, when making decisions on remuneration, as well as environmental, social and governance matters, including the United Nation's 17 sustainability goals with particular focus on the 9th goal concerning industry, innovation and infrastructure. These are the same principles that are applied when making remuneration decisions for all employees across the Company, although, for roles below the most senior levels, different labour markets may be more appropriate.

## 2. IMPLEMENTATION AND REVIEW OF THE REMUNERATION POLICY

The Board decides on the implementation of NORDEN's Remuneration Policy. Every year, following the Remuneration Committee's recommendation, the Board assesses the framework of the remuneration for the Executive Management.

Upon recommendation by the Remuneration Committee, the Board sees to it that the total remuneration reflects the Company's needs, results and challenges and that the

remuneration ensures that the Company is able to recruit and retain competent managers in a global industry. This is essential in order for the Company to obtain the maximum return on its considerable and continuous investments, and to ensure the sustainability of the Company.

When reviewing the Remuneration Policy, the Remuneration Committee may consult with the Executive Management, but the Executive Management have no decision-making power in terms of the policy.

In case there are any changes to the Remuneration Policy, it will be updated and submitted for adoption at the following annual general meeting. This will happen as a minimum every four years. NORDEN reports on the Remuneration Policy, including the estimated value of the incentive-based remuneration in the annual report, which will be submitted for adoption at the annual general meeting. From 2021, we will publish a separate Remuneration Report, covering remuneration in the previous financial year for the Board and for the Executive Management, in accordance with the Danish Companies Act section 139b.

The Board assesses that conflicts of interest in connection with the determination of the policy are minimised and managed. This assessment is based on the fact that (1) the policy primarily concerns the remuneration of Executive Management, (2) the Remuneration Committee is a sub-committee of the Board and relies on market practice regarding Board remuneration, (3) the Board's total remuneration is subject to vote by the Company's shareholders at the annual general meeting, and (45) that any material changes to the policy are also subject to vote by the shareholders at a general meeting.

### **3. REMUNERATION PRINCIPLES FOR THE BOARD OF DIRECTORS**

Members of the Board receive a fixed annual base fee. The chairman and vice-chairman receive three times and two times the base fee in DKK, respectively. Participation in committees of the Board entitles members to an additional fixed annual fee. In addition, remuneration for efforts beyond what can be expected of members of the Board be granted in extraordinary cases. Board members are reimbursed for any travel costs in relation to participating in Board related activities. Internationally based Board members can receive a fixed travel allowance when travelling to Board meetings and/or Committee meetings. This is to reflect the added travel time required of board members travelling between countries including overnight stays in Denmark. No travel allowance is provided for online meetings, nor for Board members based in Denmark with domestic travel.

The Company may pay social security contributions to foreign Board members in the EU/EEA in line with legal requirements. In addition, remuneration for efforts beyond what can naturally be expected of members of the Board can be granted in extraordinary cases as an additional fixed fee.

Remuneration is determined following comparison with remuneration in other international shipping companies and major Danish listed companies as well as on the basis of an assessment of scope and nature of the work.

At present, the Board does not receive incentive-based remuneration and **isare** not covered by any retirement benefit arrangements provided by NORDEN. The remuneration of the Board is disclosed in the Remuneration Report and will be considered at the general meeting where the Board will also give an account of its proposal for remuneration in the coming financial year.

The members of the Board are elected at the annual general meeting covering the period until the following annual general meeting. In addition to the members elected at the annual general meeting, the Board also includes employee elected Board members.

#### **4. REMUNERATION PRINCIPLES FOR THE EXECUTIVE MANAGEMENT**

Remuneration for the Executive Management may consist of the following components:

- Fixed salary with possible pension scheme
- Cash bonus
- Long-term incentives
- Customary benefits such as company car, phone etc.
- Severance pay
- Exceptional one-off bonus only granted in special cases

The combination of fixed and incentive-based remuneration has been chosen to support the objectives of the Remuneration Policy.

##### **Fixed salary**

NORDEN aims to offer a competitive fixed salary that is appropriate for a company of NORDEN's size in consideration of the overall remuneration package. Salaries are reviewed annually by the Board and are negotiated ordinarily in February.

##### **Cash bonus**

Individual cash bonuses are meant to motivate the Executive Management to make an extra effort by rewarding good results of initiatives within the limits of the Company's risk management framework and short-term strategy.

Bonus agreements for the Executive Management or individual members of the Executive Management are decided by the Remuneration Committee and are made in

consideration of market practice and the competitive environment and will be subject to reaching specific targets, which, according to the assessment of the Remuneration Committee, are significant in order to ensure value creation for the shareholders. The pay-out will depend on the achievement of predetermined performance targets that are essential for our business and strategic projects; these are primarily financial targets such as share price performance, revenue or profitability goals, operational performance measures, as well as strategic targets and other objective targets such as measures of organisational engagement. Fulfilment of the targets are determined and evaluated by the Remuneration Committee.

Bonus agreements can also include retention schemes where the Board assesses that this is required to support the overall interests of the shareholders. The Board may decide that the Executive Management is covered by collective bonus schemes.

The total cash bonus of each member of the Executive Management is targeted at 100% of the executive's fixed annual fixed salary and cannot amount to more than 200%.

The Remuneration Report contains information on the individual bonus allotment of each member of the Executive Management as well as a specification of any bonus agreements.

### **Long-term incentives**

To promote the long-term sustainability of our Company and align the interests of the Executive Management to those of the shareholders, the Board may grant share-based remuneration to the members of the Executive Management on an annual basis. By granting share-based remuneration which is linked directly to the performance of NORDEN's share price performance, Executive Management have an increased incentive to work towards increased value creation which is in line with shareholders' expectations. In addition, share-based remuneration has a long-term perspective ensuring that the long-term interests of the Company and the shareholders are sustained.

The Board determines the grant size upon recommendation by the Remuneration Committee on the basis of the fixed salary of the individual member of the Executive Management.

### **Restricted shares and/or stock options**

The Board may grant restricted shares and/or stock options to members of the Executive Management. The number of restricted shares and/or stock options granted to each member of the Executive Management corresponds to a value of the executive's annual fixed salary, targeted at 20%. The value at the time of grant cannot exceed 150% of the executive's annual fixed salary.

The restricted shares have a vesting period of three years, and their value directly follows that of the Company's share price. Vesting is conditional on continued employment with the Company at the time where the restricted shares vest. There are no additional performance conditions to be achieved for the shares to vest.

The share options have a vesting period of three years from the time of grant and can be exercised for a period of three years from the vesting date. The exercise price is calculated as the market price on the grant date and may include a certain supplement/hurdle rate decided by the Board to ensure that the share options will not be of value to the recipients until the shareholders are guaranteed a certain return on their investments. The exercise price is adjusted for distributed dividends. The value of the share options is calculated according to recognised market criteria such as the Black-Scholes valuation method.

The share options are mainly covered by treasury shares. The number of allotted restricted shares and/or share options to each member of the Executive Management as well as the estimated value at the time of granting are disclosed in the Remuneration Report.

To align the interest between Executive Management and the Company's shareholders even further, the Executive Management is obliged to reinvest a minimum of 25% of any net gain on their share options in NORDEN shares and keep such shares for at least 3 years. The reinvestment level as well as the number of years during which shares must be held may be modified by the Remuneration Committee of the Board.

### **Malus and claw back**

All incentive payments, grants and awards are subject to claw back without compensation if earned on the basis of data or other grounds subsequently proven to be manifestly misstated.

### **Customary benefits**

The members of the Executive Management may receive benefits that are aligned with market practice such as company car, telephone, computer, newspapers etc.

### **Severance pay**

NORDEN's term of notice to the members of the Executive Management is determined in line with market practice at up to 12 months. If members of the Executive Management step down following a change of control, they may receive a special severance payment in addition to their normal remuneration and in some cases a bonus during the notice period. This change of control payment can at most equal up to 12 months' fixed salary. The total compensation in severance cases cannot exceed two years' pay.

### **Exceptional one-off bonus granted in special cases**

The Board of directors may under exceptional circumstances award or grant to a member of Executive Management, a one-off payment or other extraordinary remuneration, e.g. retention bonus, severance payment, sign-on bonus or other schemes in connection with retention, appointment or departure.

Such extraordinary awards or grants may be incentive-based and may consist of cash and/or share-based remuneration or a mix thereof, in which case they will be granted or awarded in line with the Remuneration Policy.

The value of any exceptional payments cannot exceed an amount corresponding to 100% of the annual fixed salary at the time of grant.

## **5. INDEMNIFICATION OF BOARD AND MANAGEMENT**

NORDEN has taken out a customary Directors and Officers insurance (D&O). Where the Board considers coverage under the D&O insurance insufficient or associated with disproportionate costs or other adverse terms, the Board may decide that NORDEN will indemnify and hold harmless individual members of the Board and/or Executive Management to the fullest possible extent permitted under applicable law for liability pertaining to claims raised by one or more third parties in relation to the exercise of duties as Board or Executive Management members of NORDEN. Any such indemnification shall be limited to the gap between the D&O insurance coverage and the third party claim shall be secondary to the coverage under the D&O insurance and be subject to the same terms and conditions and exclusions of the D&O insurance applicable from time to time. Additionally, excluded is indemnification in respect of any loss related to:

- Claims raised by NORDEN or its subsidiaries.
- Claims arising out of fraud, wilful misconduct or gross negligence on part of the Board Member or Executive Manager in question.
- Claims arising out of deliberately criminal acts on part of the Board Member or Executive Manager in question.
- Claims for which indemnification would be inconsistent with applicable law.

Indemnification shall include indemnification for any personal tax implications arising out of a Board Member or Executive Manager having benefitted from indemnification by NORDEN.

## 5.6. ~~DEVIATION FROM~~ THE REMUNERATION POLICY

In exceptional cases and when deemed necessary to ensure the long-term interests of NORDEN, the Board of Directors may at its sole discretion decide to deviate from the Remuneration Policy.

To ensure that the long-term incentives remain current and support the long-term business strategy of the Company, the Board also has the discretion to amend the terms if necessary. This discretion includes, but is not limited to (1) the size of the grants subject to the maximum as described in this Remuneration Policy (2) the timing of the grants, (3) adjustment of the number of restricted shares or share options, (4) early vesting of the restricted shares or share options, (5) the treatment of the restricted shares and share options in the case of resignations, change of control, a merger, rights issue or other events.

Any deviations must be described in the Remuneration Report which is presented to the shareholders at the annual general meeting the following year.

## 6.7. PUBLICATION AND COMMENCEMENT

Subject to adoption at NORDEN's annual general meeting on ~~925~~ March 202~~3~~4, this document will be published on NORDEN's website immediately after the approval. The date of adoption of this Remuneration Policy at the annual general meeting will also be disclosed on the website.