

DANISH SHIP FINANCE 2020

› Remuneration report



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PURPOSE

The remuneration report of the Danish Ship Finance Group (hereinafter “Danish Ship Finance”/“the company”) provides an overview of the remuneration paid or payable to each member of the Board of Directors and the Executive Board for the financial year. Furthermore, the report serves to confirm that the remuneration awarded is in compliance with the remuneration policy adopted.

The remuneration of the Board of Directors and the Executive Board is determined and awarded with the overall aim to attract, motivate and retain qualified members of the Board of Directors and the Executive Board. In addition to fixed remuneration, the company uses equity-like instruments in relation to the Executive Board to ensure focus on business strategy, sustainability and long-term value creation.

Legal framework

The Board of Directors approves the remuneration report and reviews it at least once a year.

Danish Ship Finance Group has prepared the remuneration report in accordance with recommendation 4.2.3 of the Recommendations on Corporate Governance issued by the Danish Committee on Corporate Governance.

The remuneration report has not been reviewed by the company’s auditors.

DANISH SHIP FINANCE GROUP

The Group consists of two limited liability companies: a financial holding company, Danish Ship Finance Holding A/S, and an operating company, Danish Ship Finance A/S, the purpose of which is to provide ship financing.

Danish Ship Finance Holding A/S has no activity other than partial ownership of Danish Ship Finance A/S. Tables, descriptions, etc. are based on Danish Ship Finance A/S (DS) unless Danish Ship Finance Holding A/S (DSH) is mentioned specifically.

REMUNERATION OF THE BOARD OF DIRECTORS

In accordance with current legislation governing the number of employee-elected members of the Board of Directors, an additional employee representative joined the Board of Directors at the 2020 general meeting.

Fixed annual remuneration

The remuneration of the Board of Directors takes into consideration economic trends, the level of remuneration in similar undertakings, and the scope of work, and any recommendation for adjustment is submitted to the general meeting for adoption. Individual members of the Board of Directors may opt not to receive remuneration.

No members of the Board of Directors receive any share-based incentive pay, other variable remuneration or pension contributions for the performance and discharge of their duties on the Board. However, members of the Board of Directors may have travel expenses reimbursed, and employee-elected members may receive variable pay if such remuneration is related to the work performed as an employee of the company.

The following remuneration for the financial year 2020 was approved at the annual general meeting held on 26 March 2020.

Remuneration fee of the Board of Directors

| Position | Ordinary fee | Audit Committee | Remuneration Committee |
|---------------|--------------|-----------------|------------------------|
| Chairman | 750,000 | - | - |
| Vice Chairman | 350,000 | - | - |
| Member | 200,000 | 150,000 | 150,000 |

Total remuneration of the Board of Directors for the financial year 2020 and comparative figures for the preceding year:

Remuneration of the Board of Directors

| Name and position | Joined/resigned | Ordinary fee | Audit Committee | Remuneration Committee | Fee moved forward due to change in settlement period | Total 2020 | 2019 | 2018 |
|--------------------------------|--------------------|------------------|-----------------|------------------------|--|------------------|------------------|------------------|
| Eivind Kolding (Chairman) | | 750,000 | - | - | 93,750 | 843,750 | 750,000 | 750,000 |
| Peter Nyegaard (Vice Chairman) | | - | - | - | - | 0 | 0 | 0 |
| Anders Damgaard | | - | - | - | - | 0 | 0 | 0 |
| Christian Frigast | | - | - | - | - | 0 | 0 | 0 |
| Jacob Meldgaard | | 200,000 | - | 150,000 | 14,583 | 364,583 | 350,000 | 350,000 |
| Michael Nellemann Pedersen | | 200,000 | 150,000 | - | 43,750 | 393,750 | 350,000 | 350,000 |
| Henrik Sjøgreen | | 200,000 | 150,000 | - | 43,750 | 393,750 | 350,000 | 350,000 |
| Thor Jørgen Guttormsen | | 200,000 | - | 150,000 | 14,583 | 364,583 | 350,000 | 350,000 |
| Christopher Rex* | | 200,000 | - | - | 50,000 | 250,000 | 200,000 | 200,000 |
| Nanna Flint* | Joined 26/3/2020 | 100,000 | - | - | 50,000 | 150,000 | - | - |
| Berit Koertz* | Joined 26/3/2020 | 100,000 | - | - | 50,000 | 150,000 | - | - |
| Ninna Møller Kristensen* | Joined 26/3/2020 | 100,000 | - | - | 50,000 | 150,000 | - | - |
| Marcus Freuchen Christensen* | Resigned 26/3/2020 | 100,000 | - | - | - | 100,000 | 200,000 | 200,000 |
| Henrik Rohde Søgaaard* | Resigned 26/3/2020 | 100,000 | - | - | - | 100,000 | 200,000 | 200,000 |
| Total | | 2,250,000 | 300,000 | 300,000 | 410,416 | 3,260,416 | 2,750,000 | 2,750,000 |

*) Employee representative

Shareholdings of the Board of Directors

Members of the Board of Directors are entitled, but not required, to invest in shares in Danish Ship Finance Holding A/S. The shareholdings of the Board of Directors are specified in section 6.

REMUNERATION OF THE EXECUTIVE BOARD

The Remuneration Committee submits its recommendations to the Board of Directors for any changes in Executive Board members' fixed base salary and other variable remuneration components. The recommendations are based on market practice, the required qualifications, the scope of work, the overall performance of the Executive Board and the performance of each member of the Executive Board.

The remuneration and remuneration components for members of the Executive Board are determined annually by the Remuneration Committee and approved by the Board of Directors.

Members of the Executive Board are entitled to annual remuneration in accordance with the remuneration policy.

The total remuneration of members of the Executive Board may include the following fixed and variable remuneration components:

- Fixed base salary
- Pension contribution
- Holiday supplement
- Long-term incentive programme in the form of equity-like instruments (total shareholder return (TSR)) and retention agreements including TSR and warrants.
- Certain non-monetary benefits and other customary non-monetary employee benefits
- Severance pay

The composition of remuneration for each member of the Executive Board is determined with a view to contributing to the company's ability to attract and retain key individuals, while ensuring that the Executive Board has an incentive to create value for the company's shareholders.

The incentive programme for members of the Executive Board reflects individual performance and is linked to business goals that underpin the company's strategy and long-term value creation. The variable pay component is capped at 50% of the fixed base salary, including pension.

Remuneration of the Executive Board for the financial year 2020 and comparative figures for the preceding year:

Remuneration of the Executive Board for the financial year 2020*

| Name and position | Base salary | Pension contribution | Benefits | Total | TSR | Warrants** | Total | Total remuneration | Ratio of fixed to variable remuneration | |
|---------------------|-------------------|----------------------|----------------|-------------------|-----------|----------------|----------------|--------------------|---|-----------|
| Erik I. Lassen, CEO | 4,344,846 | 541,085 | 166,152 | 5,052,083 | 0 | 313,488 | 313,488 | 5,365,571 | 94% | 6% |
| Michael Frisch, CCO | 4,124,862 | 513,713 | 151,535 | 4,790,110 | 0 | 297,629 | 297,629 | 5,087,739 | 94% | 6% |
| Lars Jebjerg, CFO | 4,124,683 | 513,713 | 146,031 | 4,784,427 | 0 | 297,629 | 297,629 | 5,082,056 | 94% | 6% |
| Total 2020 | 12,594,391 | 1,568,511 | 463,718 | 14,626,620 | 0 | 908,746 | 908,746 | 15,535,366 | 94% | 6% |
| Total 2019 | 12,287,835 | 1,515,401 | 470,595 | 14,273,831 | 4,570,000 | 0 | 4,570,000 | 18,843,831 | 76% | 24% |

*) Adjustment of variable pay for previous years appears in the company's Annual Report

**) Warrants are granted in DSH

Fixed base salary

The aim of the annual fixed base salary is to attract and retain qualified members of the Executive Board in support of the company's ability to attain its short- and long-term goals.

Pension contribution

Members of the Executive Board receive a pension contribution of 13.00% of the fixed base salary.

Holiday supplement

The company pays a holiday supplement to members of the Executive Board of 3.25% of the salary qualifying for holiday pay. If, according to the collective agreement between the Danish Employers' Association for the Financial Sector and the Danish Financial Services Union, the holiday supplement is increased, the members of the Executive Board will receive a corresponding increase in the special holiday supplement. The holiday supplement is included in the base salary.

Non-monetary benefits

Members of the Executive Board receive the following non-monetary benefits: company car, multimedia, insurance covering critical illness, group life insurance, and dental, accident and health insurance.

Short-term incentives

The company's remuneration policy does not provide for the use of short-term incentive programmes.

Long-term incentives

Members of the Executive Board were offered an incentive programme for 2020 consisting of equity-like instruments, which, using total shareholder return (TSR) adjustment, are based on a specified index measured as the appreciation in the value of the ratio between adjusted net earnings at the consolidated level for DSH and the owner-invested capital adjusted for dividends and capital contributions, if applicable.

Executive Board indicative targets for 2020

A number of targets were set for the Executive Board that formed the basis for determining any variable remuneration. Variable remuneration is determined on a discretionary basis, and the degree of target achievement thus cannot be directly translated into the size of any variable remuneration component.

Of the indicative targets, corporate targets have a weighting of 70% and individual targets have a weighting of 30%. The achievement of the corporate target is multiplied by a factor determined by the return for class A shareholders. The factor may be zero if there is no positive return for class A shareholders.

Corporate targets

The corporate targets cover the following criteria: performance targets, culture and cooperation, execution of strategic initiatives, and maintenance of a high level of compliance.

Individual targets

The individual targets are set on the basis of the duties and responsibilities of the individual members of the Executive Board and may concern influx of new customers, customer satisfaction scores, sustainability performance, cybersecurity, etc.

Bonuses awarded for each member of the Executive Board for the financial year 2020

In light of the low net profit for the year, the Executive Board was not awarded incentive bonuses in the form of TSR instruments in Danish Ship Finance. Instead, the Executive Board was granted warrants in DSH, which will acquire value only if the value creation in the company results in a rise in the share price materialising upon a sale of shares or upon expiry of a specified period of time. At the time of granting, the value of warrants represented 6.4% of the fixed base salary, including pension.

Incentive bonuses awarded to the Executive Board for 2020

| Name and position | Value of actual award* | Value of maximum award | Share of maximum |
|---------------------|------------------------|------------------------|------------------|
| Erik I. Lassen, CEO | 313,488 | 2,442,761 | 13% |
| Michael Frisch, CCO | 297,629 | 2,319,188 | 13% |
| Lars Jebjerg, CFO | 297,629 | 2,319,188 | 13% |

*) Estimated value at the time of allocation in 2021

Retention and incentive bonuses for each member of the Executive Board as at 31 December 2020

Executive Board's share of TSR

| Name and position | Programme | Performance period | Date of grant | Date of vesting | Value of grant (at time of grant) | Value adjustment of grant at 31 December 2020 | Value at 31 December 2020 |
|----------------------|-----------|--------------------|---------------|-----------------|-----------------------------------|---|---------------------------|
| Erik I. Lassen, CEO | Retention | 2017 - 2021 | 1 April 2017 | 1 April 2022 | 1,723,022 | 327,719 | 2,050,741 |
| | Incentive | 2019 - 2023 | 1 April 2019 | 1 April 2024 | 2,208,060 | 56,900 | 2,264,960 |
| | Incentive | 2020 - 2024 | 1 April 2020 | 1 April 2025 | 1,580,000 | -3,840 | 1,576,160 |
| Total | | | | | 5,511,082 | 380,778 | 5,891,860 |
| Michael Frisch, CCO* | Retention | 2018 - 2022 | 1 July 2018 | 1 April 2023 | 856,045 | 66,923 | 922,968 |
| | Incentive | 2020 - 2024 | 1 April 2020 | 1 April 2025 | 1,635,000 | -3,974 | 1,631,026 |
| Total | | | | | 2,491,045 | 62,949 | 2,553,994 |
| Lars Jebjerg, CFO | Retention | 2018 - 2022 | 1 July 2018 | 1 April 2023 | 1,656,045 | 129,465 | 1,785,510 |
| | Incentive | 2020 - 2024 | 1 April 2020 | 1 April 2025 | 1,355,000 | -3,294 | 1,351,706 |
| Total | | | | | 3,011,045 | 126,172 | 3,137,217 |
| Total | | | | | 11,013,172 | 569,899 | 11,583,071 |

**) Michael Frisch, CCO, received a cash sign-on bonus upon joining the company in 2018.*

agreement and such criteria have been met.

Non-monetary benefits

Members of the Executive Board all have a company car. The company pays for all expenses related to the acquisition and operation of the car and provides a parking space close to the company's offices.

The company provides other customary non-monetary employee benefits, such as insurance cover, newspapers, telephone, mobile telephone and internet access, and pays all related expenses.

Clawback

There has been no occasion to apply the clawback provisions of the remuneration policy.

Shareholdings of the Executive Board

Members of the Executive Board are required to invest in shares in DSH.

Erik I. Lassen invested in connection with the company's change of ownership in 2016 and again in 2018. Michael Frisch and Lars Jebjerg invested when they joined the company in 2018.

Half of Lars Jebjerg's investment in 2018 was subject to a forward contract expiring in 2020. The shares were purchased at market price at the time of transfer.

The shareholdings of the Executive Board are specified in section 7.

Executive Board's warrants in Danish Ship Finance Holding

| Name and position | Year of grant | No. of restricted warrants 1 January 2020 | No. of restricted warrants in the period | No. of restricted warrants 31 December 2020 |
|---------------------|---------------|--|---|--|
| Erik I. Lassen, CEO | 2017 | 382,893,720 | 271,417,778 | 654,311,498 |
| Michael Frisch, CCO | 2018 | 294,408,000 | 257,687,556 | 552,095,556 |
| Lars Jebjerg, CFO | 2018 | 294,408,000 | 257,687,556 | 552,095,556 |
| Total | | 971,709,720 | 786,792,890 | 1,758,502,610 |

Furthermore, 357,704,053 warrants were granted to a former member of the Executive Board in 2017.

The value tracks the price of DSH shares subject to a deduction of 5% per year including compound interest until exercised.

Performance period 2017/2018

Members of the Executive Board may exercise warrants in the periods January 2022 and January 2024. Individual members may at the time of exercise decide whether warrants should be converted to shares in DSH or be settled in cash.

If a member of the Executive Board fails to exercise his warrants by the end of January 2024, the warrants will lapse.

Performance period 2020

Members of the Executive Board will be able exercise the warrants granted subject to retention requirements. Warrants may be part-exercised in connection with an change of control of the Holding company, amongst other events, and are subject to claw-back clauses. At the time of exercise, DSH may decide whether warrants should be converted to shares in DSH or be settled in cash. If a member of the Executive Board refrains from exercising warrants at the appropriate time, the warrants will lapse.

Termination provisions and severance pay

The company may terminate the employment relationship with a member of the Executive Board by giving up to 18 months' written notice, to expire at the end of a month. Members of the Executive Board may terminate their position by giving at least six months' notice, to expire at the end of a month.

As a main rule, the company has no severance pay arrangements. However, the company may grant severance pay where specific criteria have been set out in a severance

SHAREHOLDINGS OF THE BOARD OF DIRECTORS

The number of shares in DSH held by members of the Board of Directors:

Board of Directors' shareholdings in Danish Ship Finance Holding

| Name and position | Shareholding 1 January 2020 | Changes during the period | Shareholding 31 December 2020 | Market value at acquisition date | Shareholding as % of total no. of shares | Shareholding as % of total no. of shares | |
|--------------------------------|--------------------------------|------------------------------|----------------------------------|-------------------------------------|---|--|--------------------|
| | | | | | | 2019 | 2018 |
| Eivind Kolding (Chairman) | 300,000,000 | - | 300,000,000 | 3,000,000 | 0.245 | 300,000,000 | 300,000,000 |
| Peter Nyegaard (Vice Chairman) | 0 | - | 0 | 0 | - | - | - |
| Anders Damgaard | 0 | - | 0 | 0 | - | - | - |
| Christian Frigast | 0 | - | 0 | 0 | - | - | - |
| Jacob Meldgaard | 150,000,000 | - | 150,000,000 | 1,500,000 | 0.123 | 150,000,000 | 150,000,000 |
| Michael Nellemann Pedersen | 0 | - | 0 | 0 | - | - | - |
| Henrik Sjøgreen | 150,000,000 | - | 150,000,000 | 1,500,000 | 0.123 | 150,000,000 | 150,000,000 |
| Thor Jørgen Guttormsen | 150,000,000 | - | 150,000,000 | 1,500,000 | 0.123 | 150,000,000 | 150,000,000 |
| Nanna Flint* | 6,038,437 | - | 6,038,437 | 60,384 | 0.005 | 6,038,437 | 4,692,224 |
| Berit Koertz* | 6,257,167 | - | 6,257,167 | 62,572 | 0.005 | 6,257,167 | 4,171,444 |
| Ninna Møller Kristensen* | 3,735,776 | - | 3,735,776 | 37,358 | 0.003 | 3,735,776 | 2,490,518 |
| Christopher Rex* | 9,999,900 | - | 9,999,900 | 99,999 | 0.008 | 9,999,900 | 9,999,900 |
| Total | 776,031,280 | - | 776,031,280 | 7,760,313 | 0.634 | 776,031,280 | 771,354,086 |
| Total no. of shares | 122,389,960,000 | | | | | | |

*) Employee representative

Christopher Rex has been granted 16,666,500 warrants, the only member of the Board of Directors to receive such

warrants. The warrants were granted in 2017 as part of his ordinary employment with the company.

SHAREHOLDINGS OF THE EXECUTIVE BOARD

The number of shares in DSH held by members of the Executive Board:

Executive Board's shareholdings in Danish Ship Finance Holding

| Name and position | Shareholding 1 January 2020 | Acquired during the period | Shareholding 31 December 2020 | Market value at acquisition date | Shareholding as % of total no. of shares | 2019 | |
|----------------------------|--------------------------------|-------------------------------|----------------------------------|-------------------------------------|---|--------------------|--------------------|
| | | | | | | 2019 | 2018 |
| Erik I. Lassen, CEO | 279,999,998 | - | 279,999,998 | 3,000,000 | 0.229 | 279,999,998 | 279,999,998 |
| Michael Frisch, CCO | 160,000,000 | - | 160,000,000 | 2,000,000 | 0.131 | 160,000,000 | 160,000,000 |
| Lars Jebjerg, CFO | 80,000,000 | 80,000,100 | 160,000,100 | 2,000,001 | 0.131 | 80,000,000 | 80,000,000 |
| Total | 519,999,998 | 80,000,100 | 600,000,098 | 7,000,001 | 0.490 | 519,999,998 | 519,999,998 |
| Total no. of shares | 122,389,960,000 | | | | | | |

COMPARATIVE FIGURES

Changes in the remuneration of the Board of Directors and the Executive Board:

Comparison of remuneration and company results, 2018-2020

| | 2020 | 2020 vs 2019 | 2019 vs 2018 |
|--------------------------|-------------|--------------|--------------|
| Financial results | | | |
| Net profit before tax | 153,973,601 | -141,802,595 | -46,864,300 |
| Net profit after tax | 117,107,366 | -109,661,273 | -35,162,893 |
| Executive Board | | | |
| Erik I, Lassen, CEO | 5,365,571 | -1,148,891 | -856,528 |
| Michael Frisch, CCO | 5,087,739 | -1,219,507 | N/A* |
| Lars Jebjerg, CFO | 5,082,056 | -940,067 | N/A* |

**) The figures are not directly comparable, as Michael Frisch joined the company as COO on 9 April 2018 and Lars Jebjerg joined the company as CFO on 22 May 2018.*

The increase in remuneration of the Board of Directors in 2020 relates to remuneration fee moved forward due to a change in the settlement period.

Comparison of remuneration and company results, 2019-2020

| | 2020 | 2020 vs 2019 |
|---|-----------|--------------|
| Board of Directors | | |
| Eivind Kolding, Chairman | 843,750 | 93,750 |
| Peter Nyegaard, Vice Chairman | 0 | 0 |
| Anders Damgaard | 0 | 0 |
| Christian Frigast | 0 | 0 |
| Jacob Meldgaard | 364,000 | 14,000 |
| Michael Nellemann Pedersen | 393,750 | 43,750 |
| Henrik Sjøgreen | 393,750 | 43,750 |
| Thor Jørgen Guttormsen | 364,400 | 14,400 |
| Nanna Flint* | 150,000 | 150,000 |
| Berit Koertz* | 150,000 | 150,000 |
| Ninna Møller Kristensen* | 150,000 | 150,000 |
| Christopher Rex* | 200,000 | 0 |
| Former members of the Board of Directors | 250,000 | -150,000 |
| Average remuneration for employees (FTE) | | |
| Employees | 1,065,553 | 39,100 |

**) Employee representative*

COMPLIANCE WITH THE REMUNERATION POLICY

The remuneration of the Board of Directors and the Executive Board for the financial year 2020 complied with the guidelines provided by the remuneration policy regarding focus on the business strategy and value creation for the long term.

No deviations were made from the guidelines prescribed by the remuneration policy.

The remuneration policy is available on the website of Danish Ship Finance:

→ www.shipfinance.dk/investor-relations/

ADOPTION

The remuneration report was adopted by the Board of Directors at the company's ordinary board meeting on 26 February 2021 and is recommended for adoption at the company's annual general meeting on 18 March 2021.

Copenhagen, 26 February 2021

Eivind Drachmann Kolding
(Chairman)

Peter Nyegaard
(Vice Chairman)

Anders Damgaard

Nanna Flint

Povl Christian Lütken Frigast

Thor Jørgen Guttormsen

Anna-Berit Koertz

Ninna Møller Kristensen

Jacob Balslev Meldgaard

Michael Nellemann Pedersen

Christopher Rex

Henrik Sjøgreen

Adopted at the annual general meeting of the company on 18 March 2021

Chairman of the meeting