

DANISH SHIP FINANCE 2021

› Remuneration Report



TABLE OF CONTENTS

3	>	PURPOSE
3	>	LEGAL FRAMEWORK
4	>	DANISH SHIP FINANCE GROUP
5	>	REMUNERATION OF THE BOARD OF DIRECTORS
7	>	REMUNERATION OF THE EXECUTIVE BOARD
11	>	SHAREHOLDINGS OF THE BOARD OF DIRECTORS
12	>	SHAREHOLDINGS OF THE EXECUTIVE BOARD
13	>	COMPARATIVE FIGURES
14	>	COMPLIANCE WITH THE REMUNERATION POLICY
15	>	ADOPTION

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 based with the overall aim of attracting, motivating and retaining 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.

All amounts are stated in Danish kroner (DKK).

Legal framework

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

The 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 (DSF) unless Danish Ship Finance Holding A/S (DSH) is mentioned specifically.

REMUNERATION OF THE BOARD OF DIRECTORS

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. 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 2021 was approved at the annual general meeting held on 18 March 2021.

Remuneration fees of the Board of Directors for 2021

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 2021 and comparative figures for the preceding years:

Remuneration of the Board of Directors

Name and position	Ordinary fee	Audit Committee	Remuneration Committee	Total 2021	2020**	2019	2018
Eivind Kolding (Chairman)	750,000	-	-	750,000	843,750	750,000	750,000
Peter Nyegaard (Vice Chairman)	-	-	-	0	0	0	0
Anders Damgaard	-	-	-	0	0	0	0
Christian Frigast	-	-	-	0	0	0	0
Jacob Meldgaard	200,000	-	150,000	350,000	364,583	350,000	350,000
Michael Nellemann Pedersen	200,000	150,000	-	350,000	393,750	350,000	350,000
Henrik Sjøgreen	200,000	150,000	-	350,000	393,750	350,000	350,000
Thor Jørgen Guttormsen	200,000	-	150,000	350,000	364,583	350,000	350,000
Christopher Rex*	200,000	-	-	200,000	250,000	200,000	200,000
Anna-Berit Koertz *	200,000	-	-	200,000	150,000	-	-
Ninna Møller Kristensen*	200,000	-	-	200,000	150,000	-	-
New member (alternate) as at 1 October 2021							
Marcus Freuchen Christensen*	50,000	-	-	50,000	100,000	200,000	200,000
Resigned as at 1 October 2021							
Nanna Flint*	150,000	-	-	150,000	150,000	-	-
Total	2,350,000	300,000	300,000	2,950,000	3,160,416	2,550,000	2,550,000

* Employee representative

** Fee moved forward due to change in settlement period

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.

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 the "Shareholdings of the Board of Directors" section.

REMUNERATION OF THE EXECUTIVE BOARD

The Remuneration Committee submits its recommendations to the Board of Directors for any changes in the 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/or warrants in DSH
- Retention agreements including TSR and warrants (related to DSH)
- 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 2021 and comparative figures for the preceding year:

Remuneration of the Executive Board for the financial year 2021

Name and position	Fixed remuneration			Variable remuneration				Total remuneration	Ratio of fixed to variable remuneration	
	Base salary	Pension contribution	Tax value of car*	Total	TSR	Warrants**	Total			
Erik I. Lassen, CEO	4,429,193	562,669	136,225	5,128,087	1,730,000	0	1,730,000	6,858,087	75%	25%
Michael Frisch, CCO	4,204,840	534,188	133,969	4,872,997	1,699,000	0	1,699,000	6,571,997	74%	26%
Lars Jebjerg, CFO	4,204,661	534,188	131,414	4,870,263	1,629,000	0	1,629,000	6,499,263	75%	25%
Total 2021	12,838,694	1,631,045	401,608	14,871,347	5,058,000	0	5,058,000	19,929,347	75%	25%
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%

* In addition to total expenses for accounting purposes/earned income, the Executive Board members receive the following benefits: multimedia, critical illness insurance, group life insurance, and dental, accident and health insurance.

** Warrants were granted in DSH with an estimated value at the time of allocation in 2021

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 13.25% of the fixed base salary, increasing to 13.40% as of 1 July 2022.

Holiday supplement

The company pays a special 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 2021 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 2021

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, cyber security, etc.

Bonuses awarded for each member of the Executive Board for the financial year 2021

Members of the Executive Board were awarded bonuses according to principles set by the Board of Directors in accordance with the remuneration policy. These principles include a scorecard-assessment of the performance of the company as a whole and specific areas of performance attributable to each member of the Executive Board.

Incentive bonuses awarded to the Executive Board for 2021

Name and position	Value of actual award	Value of maximum award	Share of maximum
Erik I. Lassen, CEO	1,730,000	2,497,178	69%
Michael Frisch, CCO	1,699,000	2,370,775	72%
Lars Jebjerg, CFO	1,629,000	2,370,775	69%

Retention and incentive bonuses for each member of the Executive Board as at 31 December 2021

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 2021	Value at 31 December 2021
Erik I. Lassen, CEO	Retention	2017 - 2021	1 April 2017	1 April 2022	1,723,022	327,719	2,050,741
	Incentive	2018 - 2022	1 April 2019	1 April 2024	2,208,060	152,241	2,360,301
	Incentive	2019 - 2023	1 April 2020	1 April 2025	1,580,000	62,506	1,642,506
	Incentive	2021 - 2026	1 April 2022	1 April 2028	1,730,000	0	1,730,000
Total					7,241,082	542,465	7,783,547
Michael Frisch, CCO*	Retention	2018 - 2022	1 July 2018	July 2023	856,045	105,775	961,820
	Incentive	2019 - 2023	1 April 2020	1 April 2025	1,635,000	64,682	1,699,682
	Incentive	2021 - 2026	1 April 2022	1 April 2028	1,699,000	0	1,699,000
Total					4,190,045	170,456	4,360,501
Lars Jebjerg, CFO	Retention	2018 - 2022	1 July 2018	1 July 2023	1,656,045	204,624	1,860,669
	Incentive	2019 - 2023	1 April 2020	1 April 2025	1,355,000	53,605	1,408,605
	Incentive	2021 - 2026	1 April 2022	1 April 2028	1,629,000	0	1,629,000
Total					4,640,045	258,229	4,898,274
Total					16,071,172	971,151	17,042,323

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

Executive Board's warrants in Danish Ship Finance Holding

Name and position	Programme	Year of grant	Ordinary exercise periods	No. of restricted warrants
Erik I. Lassen, CEO	Retention	2017	January 2022 or January 2024	382,893,720
	Incentive	2020	1 December 2026 to 1 January 2027	271,417,778
Total				654,311,498
Michael Frisch, CCO	Retention	2018	January 2022 or January 2024	294,408,000
	Incentive	2020	1 December 2026 to 1 January 2027	257,687,556
Total				552,095,556
Lars Jebjerg, CFO	Retention	2018	January 2022 or January 2024	294,408,000
	Incentive	2020	1 December 2026 to 1 January 2027	257,687,556
Total				552,095,556
Total				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 2020

Members of the Executive Board may exercise the warrants granted subject to retention requirements. Warrants may be part-exercised in connection with a 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 by the end of December 2026, the warrants will lapse.

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 does not exercise warrants by the end of January 2024, the warrants will lapse.

Sensitivity table on warrants in Danish Ship Finance Holding

Value of one warrant at expiry of ordinary exercise

Share price	Year of grant 2017		Year of grant 2018		Year of grant 2020
	Ordinary exercise period January 2022	Ordinary exercise period January 2024	Ordinary exercise period January 2022	Ordinary exercise period January 2024	Ordinary exercise period December 2026
1	0.0000	0.0000	0.0000	0.0000	0.0000
2	0.0072	0.0059	0.0050	0.0034	0.0000
3	0.0172	0.0159	0.0150	0.0134	0.0100
4	0.0272	0.0259	0.0250	0.0234	0.0200
5	0.0372	0.0359	0.0350	0.0334	0.0300

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 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 cars and provides parking spaces 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 the "Shareholdings of the Executive Board" section.

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 2021	Changes during the period	Shareholding 31 December 2021	Market value at acquisition date	Shareholding as % of total no. of shares	2020	2019	2018
Eivind Kolding (Chairman)	300,000,000	-	300,000,000	3,000,000	0.245	300,000,000	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	150,000,000
Michael Nellesmann Pedersen	0	-	0	0	-	-	-	-
Henrik Sjøgreen	150,000,000	-	150,000,000	1,500,000	0.123	150,000,000	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	150,000,000
Anna-Berit Koertz*	6,257,167	-	6,257,167	62,572	0.005	6,257,167	6,257,167	4,171,444
Ninna Møller Kristensen*	3,735,776	-	3,735,776	37,358	0.003	3,735,776	3,735,776	2,490,518
Marcus Freuchen Christensen*	13,421,962	-	13,421,962	134,220	0.011	13,421,962	13,421,962	11,447,974
Christopher Rex*	9,999,900	-	9,999,900	99,999	0.008	9,999,900	9,999,900	9,999,900
Total	783,414,805	-	783,414,805	7,834,149	0.640	783,414,805	783,414,805	778,109,836
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 2021	Acquired during the period	Shareholding 31 December 2021	Market value at acquisition date	Shareholding as % of total no. of shares	2020	2019	2018
Erik I. Lassen, CEO	279,999,998	-	279,999,998	3,000,000	0.229	279,999,998	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	160,000,000
Lars Jebjerg, CFO	160,000,100	-	160,000,100	2,000,001	0.131	160,000,100	80,000,000	80,000,000
Total	600,000,098	-	600,000,098	7,000,001	0.490	600,000,098	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, 2018-2021

	2021	2021 vs 2020	2020 vs 2019	2019 vs 2018
Financial results				
Net profit before tax	325,622,227	171,648,626	(141,802,595)	(46,864,300)
Net profit after tax	254,087,179	136,979,813	(109,661,273)	(35,162,893)
Executive Board				
Erik I. Lassen, CEO	6,858,087	1,492,516	(1,148,891)	(856,528)
Michael Frisch, CCO	6,571,997	1,484,258	(1,219,507)	N/A*
Lars Jebjerg, CFO	6,499,263	1,417,207	(940,067)	N/A*

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

Comparison of remuneration, 2018-2021

	2021	2021 vs 2020	2019 vs 2018
Board of Directors			
Eivind Kolding, Chairman	750,000	(93,750)	93,750
Peter Nyegaard, Vice Chairman	0	0	0
Anders Damgaard, board member	0	0	0
Christian Frigast, board member	0	0	0
Jacob Meldgaard, board member	350,000	(14,583)	14,583
Michael Nellesmann Pedersen, board member	350,000	(43,750)	43,750
Henrik Sjøgreen, board member	350,000	(43,750)	43,750
Thor Jørgen Guttormsen, board member	350,000	(14,583)	14,583
Anna-Berit Koertz*	200,000	50,000	150,000
Ninna Møller Kristensen*	200,000	50,000	150,000
Marcus Freuchen Christensen*	50,000	(50,000)	(100,000)
Christopher Rex*	200,000	(50,000)	50,000
Former members of the Board of Directors	150,000	(100,000)	50,000
Average remuneration for employees (FTE)			
Employees**	1,098,313	76,393	15,293

*) Employee representative

**) The figure for 2020 vs 2019 has been corrected from 39,100 in the Remuneration report from 2020

The changes in the remuneration of the Board of Directors are related to a one-off change in the accrual period. The changes related to the employee representatives also reflect the time of joining or resigning from the Board of Directors.

COMPLIANCE WITH THE REMUNERATION POLICY

The remuneration of the Board of Directors and the Executive Board for the financial year 2021 complied with the guidelines provided by the remuneration policy regarding focus on the business strategy and value creation for the long term.

There were no deviations from the guidelines prescribed by the remuneration policy.

The remuneration policy is available on Danish Ship Finance's website:

→ www.shipfinance.dk/investor-relations/

ADOPTION

The remuneration report was adopted by the Board of Directors at the company's ordinary board meeting on 28 February 2022 and is recommended for adoption at the company's annual general meeting on 29 March 2022.

Copenhagen, 28 February 2022

Eivind Drachmann Kolding
(Chairman)

Peter Nyegaard
(Vice Chairman)

Marcus Freuchen Christensen

Anders Damgaard

Povl Christian Lütken Frigast

Thor Jørgen Guttormsen

Anna-Berit Koertz

Ninna Møller Kristensen

Jacob Balslev Meldgaard

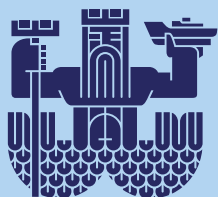
Michael Nellemann Pedersen

Christopher Rex

Henrik Sjøgreen

Adopted at the annual general meeting of the company on 29 March 2022

Chairman of the meeting



DANISH SHIP FINANCE

DANISH SHIP FINANCE A/S (DANMARKS SKIBSKREDIT A/S)

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