

REMUNERATION REPORT 2019

Remuneration report 2019

Overall objective of Remuneration Policy

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 implementation of NORDEN's Remuneration Policy has been decided by the Board of Directors including incentive-based remuneration. The administration of incentives ensures that the incentive-based remuneration does not lead to carelessness, unreasonable conduct or inexpedient acceptance of risk. Variable incentive schemes to Executive Management are subject to clawback provisions in case it turns out they have been based on erroneous assumptions.

Upon recommendation by the Remuneration Committee, the Board of Directors sees to it that the total remuneration reflects the Company's needs, results and challenges and that the remuneration ensures that the Company can recruit and retain high calibre leaders, specialists and employees in a global industry. This is essential for the Company to create long-term shareholder value.

Remuneration principles for the Board of Directors

Members of the Board of Directors receive a fixed annual base fee of USD 45,000

(DKK 300,000). This remains unchanged from 2018 measured in DKK, however, due to exchange rate fluctuation, the fees are slightly down measured in USD. The Chairman and Vice Chairman receive three times the base fee and twice time the base fee, respectively. Participation in committees of the Board of Directors entitles members to an additional fixed annual fee. In addition, remuneration for efforts beyond what can be expected of members of the Board of Directors can be granted in extraordinary cases. Board members are moreover reimbursed for any travel costs in relation to participating in board related activities.

Remuneration is determined following comparison with remuneration in other international shipping companies and Danish listed companies as well as on the basis of an assessment of scope and nature of the work. Board remuneration amounts to a total of USD 0.8 million. Specific board remuneration can be seen in the tables. The Board of Directors does not receive incentive-based remuneration. The Board of Directors propose unchanged remuneration in 2020.

Remuneration principles for the Executive Management

Remuneration for the Executive Management is based on a comparison with remuneration in other international shipping companies and Danish listed companies and consists of fixed salary and benefits,

cash bonus and restricted shares. In 2017, share options were allotted instead of restricted shares. The Executive Management's terms of notice are determined on the basis of market practice, and in addition, the Executive Management has special rights following a change of control.

Fixed salary and benefits

NORDEN aims to offer a competitive fixed salary that is appropriate for a company of NORDEN's size in consideration of bonus and share option schemes. Salaries are reviewed annually by the Board of Directors. The fixed salary to the Executive Management remained unchanged in 2019 measured in DKK. However, due to exchange rate fluctuation, the CEO's fixed salary in 2019 decreased by 2.6% to USD 1,066 thousand while the fixed salary to the CFO in 2019 decreased by 2.5% to USD 554 thousand.

Cash bonus

The size of the cash bonus has been based on consideration of the competitive environment, market situation, outlook as well as personal performance and subject to reaching specific KPIs, which, according to the assessment of the Board of Directors, are significant in order to ensure value creation for the shareholders. The KPIs relates to P&L and value creation, operational performance, organisational engagement, share price development as well as the execution of strategic projects.

In 2019, the CEO and CFO received a cash bonus of USD 446 thousand and USD 260 thousand, respectively. The bonuses this year reflect a performance with overall low reported return on equity, but rising market-to-market value of the portfolio and good progress on a number of strategic projects building long-term value for the Company.

Restricted shares and share options

To promote the long-term community of interests between the Executive Management and the shareholders, the Board of Directors allotted restricted shares to the members of the Executive Management in 2019. The CEO received 15,343 restricted shares representing a value at the time of granting of USD 219 thousand, corresponding to 21% of the fixed annual salary. The CFO received 7,974 shares representing a value of USD 114 thousand, corresponding to 21% of the fixed annual salary. As per NORDEN's Remuneration Policy, the target is 20%. The total variable salary in 2019 corresponded to 37% and 39%, respectively. All incentive payments, grants and awards are subject to claw backs. It has, however, not been relevant to use claw backs in 2019.

In 2017, Executive Management received share options instead of restricted shares. The value of the allotted share options was USD 207 thousand in 2017. Both the restricted shares and share options are subject to a 3-year vesting period from the time of grant.

Remuneration for the Board of Directors

USD'000	Annual fee					Total 2019	2018	2017	2016
	Base fee	Audit Committee	Risk Committee	Nomination Committee	Remuneration Committee				
Klaus Nyborg (CB)	133	15		15	15	178	183	191	178
Johanne Riegels Østergård (VCB)	90			11		101	103	56	30
Karsten Knudsen	45	26	30		11	112	99	98	82
Tom Intrator	45		52		11	108	84	63	n/a
Helle Østergaard Kristiansen	45	15				60	2	n/a	n/a
Stephen John Kunzer	45		15		11	71	2	n/a	n/a
Jesper Svenstrup (EE)	45					45	33	n/a	n/a
Susanne Fauerskov (EE)	45					45	33	n/a	n/a
Lars Enkegaard Biilmann (EE)	45					45	46	48	44
Former board members							59	235	284
USD'000 total						765	644	691	618

Remuneration structure and remuneration for the Executive Management

USD'000 Element	CEO Jan Rindbo				CFO Martin Badsted			
	2019	2018	2017	2016	2019	2018	2017	2016
Fixed salary	1,066	1,094	1,061	990	554	568	531	503
Cash bonus	446	457	379	257	260	267	152	89
Long-term incentivesb (share programmes)	179	136	130	76	101	78	77	83
Benefits	0	0	0	0	0	0	24	14
Pension	0	0	0	0	0	0	0	0
Severance pay	0	0	0	0	0	0	0	0
Total	1,691	1,687	1,570	1,323	915	913	784	689

