

DSV Panalpina

Remuneration Report 2020

The DSV logo consists of the letters 'DSV' in a bold, white, sans-serif font. The 'D' and 'S' are connected, and the 'V' is separate. The logo is positioned in the bottom left corner of the image.

Global Transport and Logistics



Remuneration 2020

This Report provides a summary of the remuneration of the Board of Directors and Executive Board of DSV Panalpina A/S for 2020.

Remuneration to the Board of Directors and Executive Board for the financial year has been awarded in accordance with the DSV Panalpina Remuneration Policy.

Remuneration objectives

The overall intentions of the Remuneration Policy are twofold, focusing partly on attracting and retaining qualified members of the Board of Directors and Executive Board and partly on aligning the interests of the Executive Board with those of the shareholders, with the end goal to create long-term value for the DSV Panalpina shareholders.

To achieve that objective, competitive remuneration packages are offered to the Board of Directors and Executive Board taking into account the strategic development and positioning of the Company compared to our peers as well as the actual financial and share price performance realized.

Performance of the company

In 2020, DSV Panalpina achieved an all-time high in terms of financial performance, ending the year with an EBIT result of DKK 9.520 million

and a share price of DKK 1,020. These results were achieved in a difficult and uncertain market heavily impacted by the effects of COVID-19.

Simultaneously, the integration and realisation of synergies from the DKK 36 billion Panalpina acquisition were executed with success, delivering on the time plans and strategic targets set. The end result has been the re-positioning of DSV Panalpina as the world's fifth largest logistics provider.

Overall development in management remuneration

Total remuneration of the Board of Directors and Executive Board changed by 13.6% and -0.8% respectively, since 2019 in line with the DSV Panalpina Remuneration Policy.

The financial performance achieved, and execution of strategic and synergy targets set as highlighted in the former have been taken into consideration in determining the remuneration for 2020.

Remuneration policy

The latest Remuneration Policy as adopted at the Annual General Meeting in March 2020 is available on the DSV Panalpina corporate website at: <https://investor.dsv.com/static-files/fae00375-1811-459a-9046-6761fa8000aa>

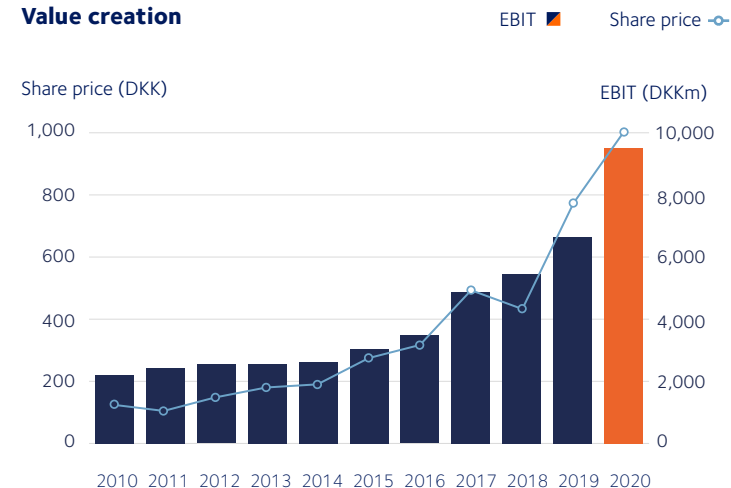
Since adoption, the Policy has been applied consistently throughout the year. No major amendments to the Policy have been suggested for the Annual General Meeting 2021.

Basis of preparation

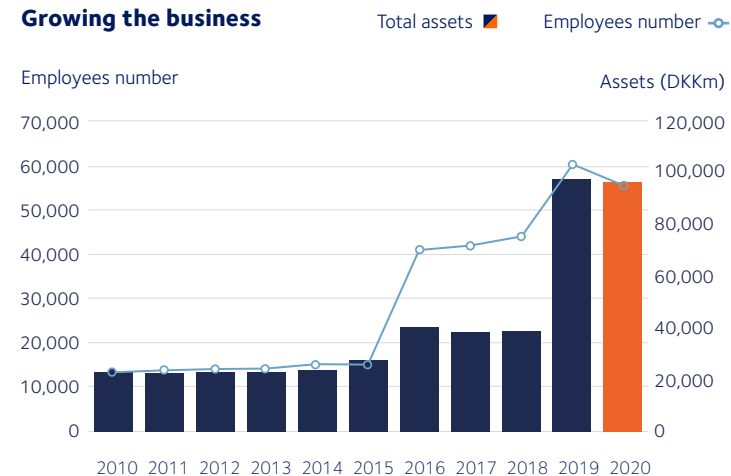
This Remuneration Report has been prepared in accordance with the Danish Companies Act and the latest Recommendations on Corporate Governance of 23 November 2017 by the Danish Committee on Corporate Governance.

Last year's 2019 Remuneration Report was presented and approved without any reservations at the DSV Panalpina Annual General Meeting on 16 March 2020.

Value creation



Growing the business



Board of Directors

Basis of remuneration

Board and Committee fees

Members of the Board of Directors are remunerated for services rendered as Chairman, Deputy Chairman or Member of the Board and the Audit, Remuneration or Nomination Committee.

Remuneration of each member is based on Board and Committee positions held, as illustrated in the following table:

(DKKt)	Chairman	Deputy Chairman	Member
Board	1,500	750	500
Committees:			
– Audit	500	n.a.	250
– Nomination	250	n.a.	125
– Remuneration	250	n.a.	125

Fees for the individual Board and Committee positions are determined in accordance with the DSV Panalpina Remuneration Policy by applying a varying multiplier of a base fee of DKK 500 thousand (2019: DKK 450 thousand). The multiplier takes into consideration the work and responsibilities associated with each position.

The base fee is assessed on a yearly basis to ensure that remuneration of the Board of Directors is on par with other corporations of similar size and complexity. The assessment is addressed by the Remuneration Committee based on publicly available peer group remuneration analyses.

Any changes to the base fee or multiplier must be approved by the Annual General Meeting.

Other remuneration

In addition to the ordinary Board and Committee fees, members may be remunerated for ad-hoc tasks carried out outside the scope of their normal Board and Committees work.

Remuneration of members does not include incentives such as cash bonuses or share-based payment in any form.

Remuneration 2020

Total remuneration of the Board of Directors amounted to DKK 6,904 thousand in 2020 (2019: DKK 6,076 thousand), an increase of 13.6% compared to last year.

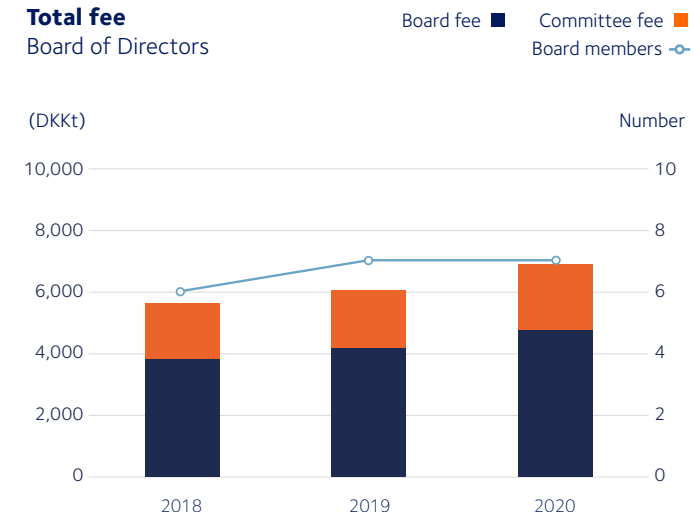
The increase was mainly due to an adjustment of the base fee to DKK 500 thousand, up from DKK 450 thousand. The adjustment was made to align Board remuneration with our peers, as the base fee had not been adjusted since 2017.

No members have been remunerated for additional ad-hoc tasks performed in 2020.

3-year remuneration overview

Detailed 3-year overview of remuneration components for current and former members of the Board is presented in the Appendix, page 6.

Total fee Board of Directors



Board composition

Board composition	Board of Directors	Audit Committee	Nomination Committee	Remuneration Committee
Thomas Plenborg	Chairman	Member	Chairman	Chairman
Jørgen Møller	Deputy Chairman	–	Member	Member
Annette Sadolin	Member	Chairman	–	–
Birgit W. Nørgaard	Member	–	Member	–
Marie-Louise Aamund	Member	Member	–	–
Beat R. Walti	Member	–	–	Member
Niels Smedegaard	Member	Member	–	–

Executive Board



Basis of remuneration

The Executive Board comprises CEO Jens Bjørn Andersen and CFO Jens H. Lund. Remuneration of the Executive Board is composed of a combination of fixed and variable components as summarised in the following.

The combination of the fixed and variable remuneration components is intended to support the short as well as long-term retention of executive members by ensuring that the remuneration made reflects the size and complexity of the DSV Panalpina business, thereby retaining a remuneration level on par with industry peers.

Publicly available peer group remuneration analyses are applied in making that assessment as well as potential yearly adjustments.

Fixed remuneration

Salary

Salary paid to members of the Executive Board is based on individual employment contracts negotiated with the Chairman of the Board of Directors.

Pension

Pension paid to members of the Executive Board is based on individual employment contracts negotiated with the Chairman of the Board of Directors and is an integral part of the base salary package. Pension contributions are in line with the Company's ordinary pension scheme for Danish employees.

Other benefits

In addition to base salary, members of the Executive Board are entitled to a company car or a cash compensation equivalent to the value of a company car as well as other minor benefits.

Variable remuneration

Share options

Share options granted to members of the Executive Board are awarded once every year based on recommendations by the Remuneration Committee and approval by the Chairman of the Board of Directors.

The intention of the share options grant is to provide a long-term incentive for growing the business and improving the financial performance of the Company and to align the interests of the Executive Board with that of the Company's shareholders.

From 2021, a revised grant model will be in place under which options will be granted partly based on consolidated EBIT performance of the DSV Panalpina Group and partly the performance of the DSV Panalpina share price compared to a peer group share index. The revised model is intended to further align the interests of the shareholders with those of Executive Management.

Share options granted are equity settled and entail a three-year vesting period from the date of grant during which the entitled members must perform in accordance with their employment contracts. No other performance condition applies.

Share options granted to the Executive Board cannot exceed 10% of the total number of options granted under the yearly DSV Panalpina share options scheme. Similarly, the Black-Scholes value of the share options granted at the date of grant cannot exceed 150% of the individual member's yearly fixed salary.

Cash bonus

In exceptional circumstances members of the Executive Board may be granted a separate bonus of up to 50% of their annual salary. Any such bonus must be decided by the Board of Directors and will be disclosed in the Remuneration Report.

Claw back

In the event that any member of the Executive Board has received incentive-based variable remuneration within the past two years in the form of cash bonuses paid or share options granted based on information that turns out to be incorrect, the Company may reclaim such payments in part or in full for a period of up to two years.

Severance terms

Members of the Executive Board are subject to a termination notice period of up to 24 months. Members are not entitled to termination severance payments in addition to their contractual notice period.

Remuneration 2020

In 2020 total remuneration of the Executive Board amounted to DKK 38.2 million (2019: DKK 38.5 million).

Of the total remuneration, 74.9% was granted as fixed remuneration and 25.1% as variable remuneration, a fixed to variable ratio similar to 2019.

Total remuneration was DKK 0.3 million lower than in 2019, implying a change in total remuneration of -0.8%. The change in the average salary base of DSV Panalpina A/S amounted to 3.2%.

The negative development in total remuneration was mainly the result of the valuation of share options granted in 2020 which at the date of grant had a slightly lower Black-Scholes value than in 2019. In addition, the pension package for both members of the Executive Board was changed in 2020, converting the defined benefit pension plan from previous years to salary instead, which likewise contributed some of the negative impact.

These factors aside, fixed remuneration for the Executive Board was adjusted 5% for the year tying in with the development of the Company and the increase in size and complexity of the overall business since the acquisition of Panalpina in 2019.

The Panalpina acquisition has increased business activities, number of employees and size of organisation and infrastructure significantly, cementing the company's position as the world's fifth largest logistics company.

This development has been reflected both in share price and EBIT results, which have increased by 32.8% and 43.1%, respectively, since end of last year.

The overall remuneration of the Executive Board ties in with the objectives of the Remuneration Policy, warranted by the shareholder value created and the positioning of the Company compared to our peers.

Furthermore, the combination of a market conform remuneration including share options granted to each of the members of the Executive Board with a three-year retention period and a size which is material, ensures that the remuneration contributes to the long-term performance of the company.

Fixed remuneration

In 2020, salary and pension were adjusted by 5% for both members of the Executive Board. The adjustment covers a two-year salary period as fixed remuneration is not up for negotiation in 2021 in line with current COVID-19 cost saving initiatives for the Group. In addition, both members received company car compensation, which has been included as a salary component.

Variable remuneration

A total of 190,000 share options were granted to the Executive Board in 2020, of which 110,000 were granted to Jens Bjørn Andersen and 80,000 to Jens H. Lund.

The share options were granted with the intention of creating a long-term retention and performance incentive. As adaptation to the new Remuneration Policy approved at the Annual General Meeting in March 2020 is in process, inclusion of variable grant elements will first be applied from the 2021 grant.

The total fair value of share options granted at the date of grant based on a Black-Scholes valuation amounted to DKK 9,6 million constituting 25.1% of the total remuneration of the Executive Board for the year.

The exercise price of share options granted amounts to DKK 560 and has been determined based on the average quoted market price of the DSV Panalpina share for the last five trading days leading up to the date of grant at 31 March 2020.

The value of share options granted is within the threshold restrictions defined in the DSV Panalpina Remuneration Policy.

Cash bonus

No cash bonuses were granted to any member of the Executive Board in 2020.

Claw back

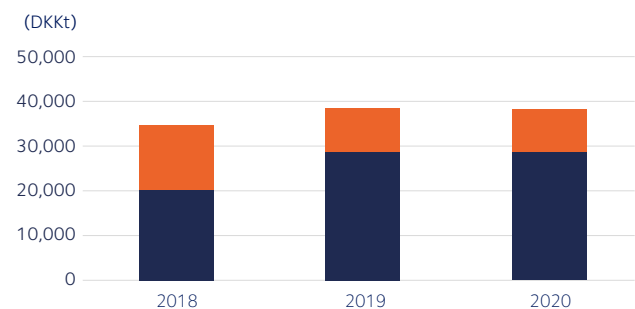
No claw backs on incentive-based variable remuneration was initiated in 2020.

3-year remuneration overview

Detailed 3-year overview of remuneration components of each individual member of the Executive Board is provided in the Appendix on page 7 to which is referred.

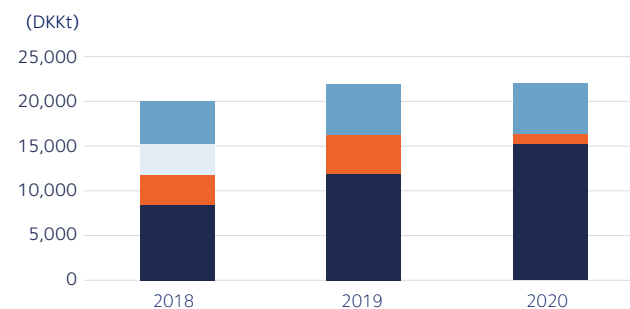
Total remuneration

Executive board



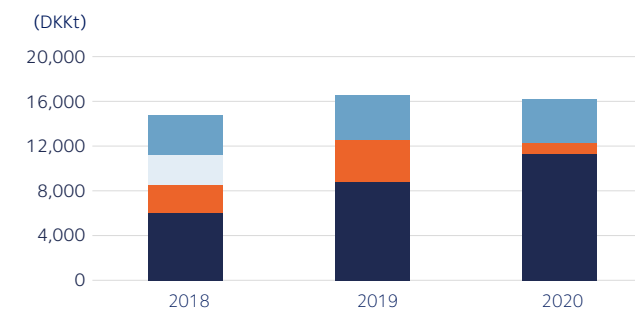
Total remuneration

Jens Bjørn Andersen



Total remuneration

Jens H. Lund



Appendix

Board of Directors — Remuneration components

The below table provides a 3-year overview of remuneration components of the Board of Directors. Development in Company performance is presented on page 7.

Fees (DKKt)		2020			2019			2018		
		Board	Committees	Total	Board	Committees	Total	Board	Committees	Total
Current members	Elected									
Thomas Plenborg	March 2011	1,500	750	2,250	844	590	1,434	675	563	1,238
Jørgen Møller	March 2015	750	250	1,000	506	141	647	450	113	563
Annette Sadolin	April 2009	500	500	1,000	450	319	769	450	337	787
Birgit W. Nørgaard	March 2010	500	125	625	450	113	563	450	113	563
Marie-Louise Aamund	March 2019	500	250	750	356	150	506	-	-	-
Beat R. Walti	September 2019	500	84	584	113	-	113	-	-	-
Niels Smedegaard	March 2020	397	168	565	-	-	-	-	-	-
Former members	Resigned									
Robert S. Kledal	March 2020	104	26	130	450	75	525	450	-	450
Kurt K. Larsen	September 2019	-	-	-	1,013	506	1,519	1,353	675	2,028
Total remuneration		4,751	2,153	6,904	4,182	1,894	6,076	3,828	1,801	5,629
Base fee				500			450			450
Change in base fee since last year				11.1%			0.0%			0.0%
Change in average salary base (DSV Panalpina A/S)				3.2%			-1.3%			5.3%
Change in base fee - 3 year average				3.7%						

Executive board — Remuneration components

The tables below provide a 3-year overview of remuneration components of the Executive Board:

Fees (DKKm)	2020	2019	2018
Jens Bjørn Andersen			
Salary	15.2	11.9	8.4
Pension	1.2	4.3	3.3
Fixed remuneration	16.4	16.2	11.7
Bonus	0.0	0.0	3.5
Share-based payments	5.6	5.7	4.8
Variable remuneration	5.6	5.7	8.3
Total remuneration	22.0	21.9	20.0
Share-based payments - vesting adjustment*	-0.4	-1.1	-1.0
Total remuneration - Annual Report reconciliation	21.6	20.8	19.0
Fixed share of total remuneration	74.7%	74.0%	58.6%
Variable share of total remuneration	25.3%	26.0%	41.4%
Change in total remuneration	0.2%	9.7%	9.6%
Change in average salary base (DSV Panalpina A/S)	3.2%	-1.3%	5.3%
CEO remuneration ratio (DSV Panalpina A/S)	26.4	27.1	24.4

Share options held (Thousand)	Jens Bjørn Andersen	Jens H. Lund	Total	Exercise date
Holding at 31 December 2017	420	300	720	
Granted (2018 scheme)	110	80	190	
Exercised (2014 scheme)	-100	-70	-170	19 February 2018
Holding at 31 December 2018	430	310	740	
Granted (2019 scheme)	110	80	190	
Exercised (2015 scheme)	-100	-70	-170	3 May 2019
Holding at 31 December 2019	440	320	760	
Granted (2020 scheme)	110	80	190	
Exercised (2016 scheme)	-110	-80	-190	14 February 2020
Holding at 31 December 2020	440	320	760	

Fees (DKKm)	2020	2019	2018
Jens H. Lund			
Salary	11.3	8.8	6.0
Pension	0.9	3.7	2.5
Fixed remuneration	12.2	12.5	8.5
Bonus	0.0	0.0	2.7
Share-based payments	4.0	4.1	3.5
Variable remuneration	4.0	4.1	6.2
Total remuneration	16.2	16.6	14.7
Share-based payments - vesting adjustment*	-0.2	-0.7	-0.8
Total remuneration - Annual Report reconciliation	16.0	15.9	13.9
Fixed share of total remuneration	75.1%	75.1%	58.0%
Variable share of total remuneration	24.9%	24.9%	42.0%
Change in total remuneration	-2.4%	13.5%	8.7%
Change in average salary base (DSV Panalpina A/S)	3.2%	-1.3%	5.3%
CFO Remuneration ratio (DSV Panalpina A/S)	19.4	20.5	17.9

*Difference between the Black-Scholes value of share options granted for the year and the Black-Scholes value of share options expensed over the three year vesting period as disclosed in the DSV Panalpina Annual Report in accordance with IFRS 2.

Scheme overview (Thousand)	Jens Bjørn Andersen	Jens H. Lund	Total	Exercise price per option (DKK)
Share options scheme 2017	110	80	190	357.0
Share options scheme 2018	110	80	190	477.5
Share options scheme 2019	110	80	190	545.0
Share options scheme 2020	110	80	190	560.0
Holding at 31 December 2020	440	320	760	-

Company performance	2020	Change	2019	Change	2018	Change
Shareprice (DKK) - DSV Panalpina A/S	1,020.0	32.8%	767.8	78.9%	429.2	-12.2%
EBIT before special items (DKKm) - DSV Panalpina Group	9,520	43.1%	6,654	22.1%	5,450	11.7%
EBIT before special items (DKKm) - DSV Panalpina A/S	-64	-17.9%	-78	2.6%	-76	5.6%



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