

# Remuneration Policy

## The Drilling Company of 1972 A/S

### 1 Introduction

This remuneration policy (the "Remuneration Policy") of The Drilling Company of 1972 A/S (the "Company") has been prepared based on the recommendations published by the Danish Committee on Corporate Governance and implemented by Nasdaq Copenhagen A/S. The Remuneration Policy includes the Company's overall guidelines on incentive pay pursuant to section 139 of the Danish Companies Act. The Remuneration Policy comprises principles for provision of remuneration to the Board of Directors as well as general guidelines for provision of remuneration and incentive pay to Executive Management. "Executive Management" consists of the members of executive management of the Company registered with the Danish Business Authority. "Group" refers to The Drilling Company of 1972 A/S as well as its subsidiaries and affiliates.

### 2 General principles

- 2.1 The Company uses provision of remuneration to the Board of Directors and provision of remuneration and incentive pay to Executive Management with the object of ensuring alignment of interests between the Board of Directors, Executive Management and shareholders, to attract and retain qualified members of the Board of Directors and Executive Management, with the object of constantly maintaining the motivation of both the Board of Directors and Executive Management for achieving the Group's strategic long and short-term targets as well as to promote value creation for the benefit of the shareholders.
- 2.2 In extraordinary circumstances, the Board of Directors may decide to deviate from the specific requirements of the Remuneration Policy on an individual basis in order to attain the overall objectives of the Remuneration Policy. In such case, the Board of Directors must explain the reasons for such deviation at the first general meeting.

### 3 Remuneration of the Board of Directors

- 3.1 The Board of Directors considers the remuneration to the members of Board of Directors at least once a year based on recommendations from the Remuneration Committee. In the formulation of these recommendations, the Remuneration Committee is guided by relevant comparisons

with other large companies of similar size and complexity based in Denmark and Europe. This is supplemented by a perspective based on global drilling industry levels of board remuneration for industry specific expertise.

- 3.2 Each ordinary member of the Board of Directors receives a fixed annual base fee, while the Chairman and Vice Chairman receive fixed multiples of the fixed annual base fee. Participation in a board committee entitles a board member to an additional fixed annual fee based on a proportion of the fixed annual base fee.
- 3.3 Should a board member, including the Chairman or Vice Chairman, assume specific ad-hoc tasks beyond the normal work as member of the Board of Directors, the Board of Directors will decide on a fixed fee for such tasks. Expenses such as travel and accommodation relating to board meetings, meetings of board committees and relevant training are reimbursed in accordance with the Group's travel policy applicable at executive level. In addition to the fixed annual fee, the Company pays social security contributions within the EU to the extent imposed by foreign national authorities in relation to fixed fees and reimbursable expenses.
- 3.4 The Board of Directors shall not receive any incentive pay from the Company.

### 4 Remuneration of Executive Management

- 4.1 The remuneration to Executive Management is decided by the Board of Directors based on recommendations from the Remuneration Committee taking into account that the remuneration does not exceed what is considered usual taking into account the nature and extent of the work, and what is considered reasonable with regard to the Company's financial position. The remuneration of Executive Management is considered annually and compared to that of other international companies of similar size and complexity in Denmark and Europe. This is supplemented by a perspective based on global drilling industry reward levels for industry specific expertise. The remuneration package consists of fixed pay, a short-term cash incentive opportunity, long-term share-based incentive schemes, certain non-monetary benefits and severance pay.

4.2 The Remuneration Committee may also consider whether it is appropriate to recommend other types of remuneration to meet the overall aims and objectives of the Company, including remuneration of a one-off or extraordinary nature.

4.3 In the event that an existing or new member of Executive Management is to relocate, the Remuneration Committee may recommend and the Board of Directors may approve appropriate relocation allowances for a specified time period. This may cover costs such as (but not limited to) relocation, cost of living, housing benefit, home leave, tax and social security equalisation and education assistance.

#### 4.4 Fixed pay

Executive Management's fixed pay consists of a fixed annual cash salary. From this salary, members of Executive Management will be deducted any contribution made by the Company towards their own pension or company car elections (as no separate company contributions are made to pension or in respect of a company car, and such amounts are considered to be included in the fixed pay).

#### 4.5 Other benefits

Executive Management may receive non-monetary benefits, such as, phone, insurance coverage, annual health check, newspaper subscriptions, training/education, and similar benefits that are generally made available to other employees at the location. Expenses incurred by Executive Management in the interest of the Company relating to travel, conferences, necessary training and similar are reimbursed in accordance with policies applicable from time to time.

#### 4.6 Incentive payment

Provision of incentive pay to Executive Management takes place in accordance with the following overall guidelines on incentive pay set out in Section 5 below.

### 5 Overall purpose of incentive arrangements

5.1 The Company uses incentive arrangements for Executive Management to secure a high degree of alignment of interests between Executive Management and the shareholders, to strengthen attraction/retention and to promote and support value creation both in the short and long term.

5.2 In addition to fixed pay, members of Executive Management are eligible for incentive compensation consisting of a cash incentive opportunity and/or share-based incentives, subject to the decision of the Board of Directors.

5.3 The Board of Directors may lay down specific terms governing the lapse of incentive arrangements or repayment of incentive pay (clawback) as well as accelerated vesting or exercise, and adjustment of the incentive arrangements, exercise price, performance targets, etc.

5.4 When determining the size and composition of the incentive arrangements and the split between the total awarded incentives and the fixed payment, the Board of Directors shall carefully consider the overall principles of the Remuneration Policy, including the aim of supporting the achievement of the Group's strategic long- and short-term goals.

#### 5.5 Short-term incentive

The short-term incentives are primarily cash-based and designed to incentivise and encourage the members of Executive Management to high performance and ensure achievement of the Group's short-term objectives. The Company wishes to promote a pay-for-performance philosophy where the opportunity for an annual cash incentive is dependent on the achievement of:

1. Specific financial goals
2. the total results of the Group
3. other non-financial goals which drive the longer term performance of the Group

The size of the annual cash incentive payout will be decided by the Board of Directors upon recommendation from the Remuneration Committee based on achievement against the measures established. The incentive payout will generally be made once a year following the Board of Directors' approval of the annual report and can constitute an amount corresponding to a maximum of 100% of the fixed pay at the end of the performance period for earning the cash incentive.

#### 5.6 Long-term incentives

Members of Executive Management are eligible to receive long-term incentives, subject to the decision of the Board of Directors. The long-term incentives may, inter alia, consist of free shares, stock options, restricted share units, warrants, matching shares and phantom shares. The Board of Directors will consider the appropriate mix of different types of share-based incentives annually. The long-term incentives are primarily designed to incentivize long-term performance, commitment and retention of the members of Executive Management, as well as to promote alignment of their interests with those of the shareholders. The form of the long-term incentive programme avoids disproportionate windfall gains, or rewards for short-term performance that is not sustained.

Long-term share-based incentives may be granted annually at the Board of Directors' discretion and a full grant will not necessarily be made every year.

The value of long-term share-based incentives may be up to 100% of the annual fixed pay for the recipient. The value of the share-based incentives is calculated as described in the

Company's annual report. The aggregate value of long-term incentives will be disclosed in the annual report.

The grant of share-based incentives may be subject to achievement of certain targets. All long-term incentives shall have a vesting or maturity period of at least three years from the relevant date of grant until the time they vest or mature. The vesting or maturity period shall be determined by the Board of Directors prior to grant.

The Company intends to use treasury shares to meet its obligations in relation to long-term share-based incentives. The Board of Directors may decide to satisfy a grant in cash.

#### **Restricted share units**

The Company's current restricted share unit program is designed to further align management compensation with the long-term interests of our shareholders and the performance of the Company by linking a higher proportion of annual pay to the share price development of the Company. The program is revolving and grant of restricted share units does not depend on the achievement of specific goals. The number of granted restricted share units to members of Executive Management is decided by the Board of Directors after recommendation from the Remuneration Committee and grants are generally effected once a year. The fair market value of the long-term incentive (which could be a mix of time vested restricted share units and performance vested restricted share units) granted within a given financial year can annually amount up to 100% of the fixed pay of the recipient at the time of the grant. Ownership of shares is transferred free of charge to each member of Executive Management three years after the time of grant (the "Vesting Period"), contingent on the member of Executive Management having not resigned during the Vesting Period. During the Vesting Period, no transfer of shares to the individual member of Executive Management will have taken place. Thus, all shareholder rights and obligations will remain with the Company. After the expiry of the Vesting Period and transfer of ownership of shares to each member of Executive Management, the member shall have all rights and obligations as shareholder of the Company including the entitlement to receive dividends.

Thereafter, subject to the Share Ownership and Share Holding Period requirements (as described below), the member is free to sell the shares subject to applicable laws and the Company's internal rules for the trading in the Company's securities. The number of shares granted to members of Executive Management will be stated in the Company's annual reports.

#### **Transition award at the date of the demerger**

To ensure Executive Management have an equity interest in the Company from the date of the demerger, they will be required to forfeit all unvested shares and share options in A.P. Møller - Mærsk A/S ("APMM Shares and Share Options")

as of 1 January 2019. Executive Management will instead receive restricted share units of the Company. The total fair value of the transition award (including the value of the APMM Shares and Share Options forfeit) can constitute an amount corresponding to maximum two times the annual amount of the long-term incentive grant. Once granted, the portion of the transition award that corresponds to the value of APMM Shares and Share Options that are forfeit will vest over a period of more than three years referring back to the time of the original grant of APMM Shares and Share Options. Once granted, the portion of the transition award that is in excess of the value of APMM Shares and Share Options that are forfeit will vest over three years, and, after vesting, will be subject to the same Share Ownership and Share Holding Period requirements as apply to the regular annual incentive awards.

#### **Share ownership and share holding period requirement**

Executive Management will not be able to sell any shares vesting until the total period from grant (inclusive of the Vesting Period) is five years, i.e. an additional "Holding Period" of two years in addition to the three-year Vesting Period that applies to the annual long-term incentive grant. The Holding Period applies irrespective of termination of employment.

Executive Management is also subject to a share ownership requirement (the "Share Ownership Requirement") of twice the annual long-term incentive grant level applicable, i.e. corresponding to two years' fixed pay for a recipient, who receives an annual grant at the maximum annual grant level of 100% under this Remuneration Policy.

The main purpose of the Share Ownership Requirement is to ensure that management acts in the long-term interests of shareholders by having a significant portion of their personal wealth invested in the Company. In case the Share Ownership Requirement is not met through an existing shareholding and shares obtained under any long-term incentive scheme, Executive Management will not be required to purchase additional shares to meet the Share Ownership Requirement, but will be restricted from selling any shares that have vested (except for sales to obtain funds for payment of taxes triggered by grants vested or shares sold under the long term incentives). The Share Ownership Requirement continues to apply for a period of up to two years after end of employment – at 100% for the first year, and reduced by 50% for the second year.

#### **Extraordinary incentives**

The Board of Directors may, in individual cases, grant one-off bonuses or other extraordinary incentives, e.g. retention bonus, severance payment, sign-on bonus or other similar arrangements, provided that such extraordinary incentive is deemed necessary in order to meet the overall objectives of the Remuneration Policy.

The value of such extraordinary incentives may not exceed an amount corresponding to two times the maximum value of annual incentive pay (i.e. the sum of short-term incentive and long-term incentive) of the recipient in the year of award. Such grant may be cash and/or share-based remuneration. The Board of Directors may decide whether grant and/or vesting shall be subject to fulfilment of certain pre-defined targets.

#### **Adjustment and repayment of incentive-based remuneration**

In case of extraordinary events, the Board of Directors may lay down specific terms for the various incentive-based remuneration governing the lapsing, repayment, capping of ultimate gains or other adjustments of the incentive-based remuneration, including accelerated vesting or exercise and adjustment to the exercise price or the performance targets. Such extraordinary event may include, but is not limited to, significant divestiture of activities, change in capital structure, demerger, merger or other business combination involving the Company or material parts of the Group, a member of Executive Management resigning/being dismissed or other material events that would otherwise influence positively or negatively the value or effect of the incentive-based remuneration.

#### **Clawback**

The Company has the option of reclaiming, in full or in part, granted incentive remuneration in certain situations, including where incentive remuneration was awarded or paid out on the basis of information which is subsequently proved to be incorrect (clawback).

## **6 Service agreements**

### **6.1 Company notice period and severance pay**

The period of notice applicable to Executive Management is 12 months for the employer and six months for the executive. In addition to company notice, Executive Management are entitled to a severance payment of up to six months' fixed pay at the time of termination. For a pre-agreed period ending 31 December 2019, Executive Management are entitled to an additional enhanced severance payment of up to six months' fixed pay at the time of notice of termination. Therefore, the total payment relating to the notice period shall in any event not exceed two years' total remuneration, including all remuneration components, and the notice period and severance pay granted is considered to be in line with market practice for larger listed companies in Denmark. Likewise, in the event members of Executive Management leave the Company, they may be enrolled in outplacement programs paid for by the Company. In the event of death of a member of Executive Management during the term of employment, the family and/or estate may receive an amount equivalent to no more than three months' compensation in addition to the value of long-term incentives held. No other retirement benefit plans apply to the Company's Executive Management.

### **6.2 Existing agreements**

Conclusion of new agreements with the members of Executive Management will be subject to the principles set out in this Remuneration Policy. Agreements about incentive pay for members of Executive Management have been entered into conditional on the adoption of this Remuneration Policy, and subject to adoption of this Remuneration Policy will continue on the terms already agreed. Any change of existing agreements will be subject to the principles set out in this Remuneration Policy.

## **7 Adoption and publication**

The Remuneration Policy has been adopted on 2 April 2019 in connection with the establishment of the Company and is available on the Company's website.