

Remuneration report

Remuneration policy

The overall objective of our remuneration policy is to attract, motivate and retain qualified members of our Board of Directors and our Executive Board.

In addition, the policy aims to strike the right balance between the Executive Board's fixed and incentive-based remuneration with the target of remunerating the members in relation to the results achieved at company and individual levels. This ensures a tightly aligned interest between the Executive Board and the shareholders.

The remuneration policy is available at orsted.com/Remuneration-policy-2018.

Remuneration of the Executive Board

Remuneration structure

In February 2018, the Board of Directors decided to keep the remuneration structure unchanged for 2018 compared to 2017. The remuneration structure and the remuneration for the Executive Board are shown in the table to the right. The two incentive schemes are described in more detail below.

Cash-based incentive schemes (STI)

The cash-based incentive scheme is an annual bonus with a target of 15% of the fixed salary and may not exceed 30%. The Nomination and Remuneration Committee sets the targets

Remuneration structure and remuneration for the Executive Board

Element	Henrik Poulsen			Marianne Wiinholt			Objective	Remuneration level	Performance measure
	2018	2017	2016	2018	2017	2016			
Fixed salary	10,500	9,700	9,238	5,900	5,061	4,820	Attract and retain qualified managers.	Competitive, but not market leading, compared to the level in similar major listed Danish companies with international activities.	
Cash-based incentive schemes (STI)	2,993	2,656	2,135	1,637	1,348	1,239	Ensure shared ownership of the entire company's performance and a clear link between value creation and pay-out.	Target of 15% of the fixed salary. The maximum bonus amounts to 30% and will be paid-out in case of full achievement of all performance targets.	The performance reward agreement consists of three targets: <ul style="list-style-type: none"> – specific individual business targets and leadership (60%) – financial target (30%) – safety target (10%).
Share-based incentive scheme (LTI)	2,306	1,367	1,427	1,231	713	889	Reward long-term value creation and align the Executive Board's interests with those of the shareholders.	Target of 20% of the annual fixed salary at the date of grant. After three years, shares will be allocated at 0-200% of the number of PSUs granted, depending on Ørsted's total shareholder return compared to peers.	The final number of shares will be determined on the basis of Ørsted's total shareholder return benchmarked against ten peers.
IPO Executive Retention Bonus	1,232	1,848	616	643	964	321	Retain the Executive Board after the IPO. Phasing into a share based long-term incentive scheme.	20% of the fixed annual salary at 1 July 2016.	Employment at 1 September 2017 and 1 September 2018, respectively.
Pension, incl. social security and benefits	313	326	187	242	196	244		The members of the Executive Board are not entitled to pension contributions, only social security.	
Severance pay								If a member of the Executive Board is terminated by the company, the person is entitled to 24 months' salary, composed of full remuneration during the 12 month notice period and 12 months of severance pay (fixed salary only).	
Total, DKK '000	17,344	15,897	13,605	9,653	8,282	7,513			
STI in % of maximum bonus	95%	91%	91%	93%	88%	94%			

for and assesses the performance of the CEO. The Chairman of the Board of Directors and the CEO set the targets for and assess the performance of the CFO.

The Executive Board's specific individual business targets are tied directly to Ørsted's green growth strategy to build out renewable energy. The specific individual business targets comprise a number of items which are defined at the beginning of the year and updated during the year if new targets become relevant to ensure continuous alignment with shareholder interests. See table to the right for a more detailed description of the targets.

Share-based incentive scheme (LTI)

The Executive Board is covered by a share programme. It is a condition for being granted performance share units (PSUs) that the participant holds a number of Ørsted shares, representing a value equal to a share of each participant's fixed salary. For the CEO, this share is 75% of the fixed salary, and for the CFO it is 50%.

If the participants fulfil the shareholding requirement at the time of the annual grant, they will receive a number of PSUs, representing a value equal to 20% of their fixed salary on the date of granting.

The PSUs granted have a vesting period of three years, after which each PSU entitles the holder to receive a number of shares free of charge, corresponding to 0-200% of the number of PSUs granted. Assuming no share price development since the grant, this would correspond to 0-40% of the fixed salary on the date of grant. The final number of shares

for each participant will be determined on the basis of the total shareholder return delivered by Ørsted, benchmarked against ten comparable European energy companies, i.e. 200% if Ørsted ranks first, 100% if sixth, and no shares if we rank last. At the end of 2018, Ørsted ranked first, second and fourth, respectively, in the three outstanding share-programmes against the ten peers.

If a member of the Executive Board leaves Ørsted as a result of his or her own resignation or due to breach of his or her employment, the entitlement to shares vesting after the notice period is lost.

The IPO Executive Retention Programme, which purpose was to phase into a long-term share based incentive scheme, expired in 2018, as the LTI programme will start to vest from 2019.

The table is a non-exhaustive summary of the individual business targets for our CEO and CFO as well as shared Group targets. They must deliver fully on all their individual targets in order to achieve the maximum cash bonus (STI).

The other members of the Group Executive Management have their own individual business targets and are remunerated according to the same model as described to the right.

Number of PSUs and shares owned by the Executive Board

	Henrik Poulsen	Marianne Wiinholt
Share-programme		
Maximum number of PSUs at 31 December 2018	41,368	22,062
Maximum fair value of PSUs at 31 December 2018	DKK 18 million	DKK 10 million
Current holding of Ørsted shares		
Number of Ørsted shares owned	130,500	83,916
Fair value of Ørsted shares at 31 December 2018 in percentage of fixed salary for 2018	542%	620%



The table shows that both members of the Executive Board meet the share capital requirement.

Overview of targets and performance in the cash bonus (STI)

Objectives and performance 2018	Henrik Poulsen		Marianne Wiinholt	
	Objectives	Score	Objectives	Score
Safety target (10%)	– TRIR compared to target	100%	– TRIR compared to target	100%
Financial target (30%)	– EBITDA compared to guidance	100%	– EBITDA compared to guidance	100%
Specific individual business targets and leadership (60%)	– First-class safety culture and standards – ROCE in line with plan – Deliver major construction projects on budget and time – Winning auctions and/or securing key access rights/permits in Offshore's existing and new strategic markets, e.g. the US and Taiwan, with a sustained focus on value creation – Investigate and pursue additional value-creating growth opportunities within renewable energy, incl. potential acquisitions – Continue to reduce the cost of electricity in offshore wind – Farm-down of Hornsea 1 – Develop potential new markets for offshore wind	92%	– First-class safety culture and standards – ROCE in line with plan – Manage capital structure within current rating commitments – Support green growth by providing high-quality decision input related to financial analysis, tax, risk management, funding, etc. – Proactively manage risks related to currencies, interest rates and inflation – Increase quality and cost effectiveness in IT and exploit digital opportunities – Develop plan and implement initiatives to raise IT security level – Lead the implementation of the GDPR project – Update the tax strategy	88%



Clawback clause

The Executive Board's incentive schemes are subject to a clawback clause whereby any paid-out bonus must be repaid if:

- the circumstances and data that the bonus was based on are erroneous
- the Executive Board member knew or should have known about this circumstance.

The Executive Board member must repay any amount of the incentive pay received in excess of the incentive pay calculated, applying the correct data.

Remuneration 2018

The remuneration paid to our CEO totalled DKK 17.3 million in 2018, representing an increase of 9.1% compared to 2017. The cash bonus (STI) made up DKK 3.0 million, corresponding to 92% of the maximum bonus. The bonus percentage reflects a performance exceeding the targets for the Group's financial and safety results. The score for the CEO's specific individual business targets and leadership is also at the high end of the range. See table on page 64 for an overview of the specific individual business targets.

The remuneration paid to our CFO totalled DKK 9.7 million, representing an increase of 16.6% compared to 2017. The cash bonus (STI) made up DKK 1.6 million, corresponding to 88% of the maximum bonus. The bonus percentage reflects a performance exceeding the targets for the Group's financial and safety results. The score for the CFO's specific individual business targets and leadership is also at the high end of the range.

In 2018, the remuneration under the share-based incentive programme consisted of the market value of the scheme at the time of granting, distributed over the vesting period. Both members of the Executive Board are covered by the share programmes from September 2016, April 2017 and April 2018. The IPO retention bonuses for 2017 and 2018 constitute the phase-in to the vesting of the first share programme in May 2019. The decreases in the IPO retention bonuses in 2018 are attributable to the fact that the scheme covered only eight months of 2018 after which it expired.

Comparison to development in the Group's average salary

In 2018, the fixed salary for the CEO and CFO increased by 8.2% and 16.6%, respectively, which was more than the average salary increase in the Group of 2.9%¹⁾ (2.8% in Denmark). The higher increases for the CEO and CFO were given to narrow the gap in total remuneration compared to the market median levels for similar roles in large Danish peer companies.

Remuneration of the Board of Directors

Remuneration structure

The members of the Board of Directors receive a fixed fee each year. The Chairmanship and the members of the committees also receive a multiple of the fixed fee for their extra work. None of the members receive separate fees for consultancy work for Ørsted. The members' travel costs are covered by the company. The members are not entitled to severance payments.

Remuneration multiple 2018, Board of Directors and committees

	Board of Directors	Audit and Risk Committee	Nomination and Remuneration Committee
Chairman	3.0	0.6	0.4
Deputy Chairman	2.0	n.a.	n.a.
Member	1.0	0.3	0.25



The remuneration multiples are unchanged from 2017.

Remuneration of the Board of Directors

DKK '000	Annual fee	Audit and Risk Committee	Nomination and Remuneration Committee	2018	2017
Thomas Thune Andersen ¹⁾	960	-	128	1,088	1,088
Lene Skole ¹⁾	640	24	80	744	803
Hanne Steen Andersen ¹⁾	320	-	-	320	320
Lynda Armstrong	320	-	-	320	320
Poul Dreyer ¹⁾	320	-	-	320	320
Pia Gjellerup	320	-	80	400	400
Benny Gøbel ¹⁾	320	-	-	320	320
Benny D. Loft	320	192	-	512	512
Peter Korsholm (joined in March 2017) ¹⁾	320	96	-	416	347
Dieter Wemmer (joined in March 2018)	267	80	-	347	-
Jørgen Kildahl (joined in March 2018)	267	-	-	267	-
Jens Nybo Stilling Sørensen (resigned in March 2018)	80	-	-	80	320
Poul Arne Nielsen (resigned in March 2017)	-	-	-	-	80
Claus Wiinblad (resigned in March 2017)	-	-	-	-	104
Total	4,454	392	288	5,134	4,934



The table shows the remuneration paid to the members of the Board of Directors and committees. The remuneration of the Board of Directors comprises a fixed fee only, and the fee remains unchanged at DKK 320,000 as last year.

¹⁾ At 31 December 2018, the board members own the following number of shares in Ørsted A/S: Thomas Thune Andersen 550 (2017: 0), Lene Skole 1,160 (2017: 0), Peter Korsholm 4,500 (2017: 4,500), Hanne Steen Andersen 2,394 (2017: 3,187), Poul Dreyer 837 (2017: 837), Benny Gøbel 1,087 (2017: 837). No other board members own shares in Ørsted A/S.

¹⁾ Calculated based on the salary after the yearly salary adjustment for all employees who remained employed at the time of the yearly salary adjustment.