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RECOMMENDATIONS ON **CORPORATE GOVERNANCE**

COMMITTEE ON
CORPORATE GOVERNANCE
23. NOVEMBER 2017

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THIS DOCUMENT IS AN ENGLISH TRANSLATION OF THE DANISH TEXT. IN THE EVENT OF ANY DISCREPANCIES, THE DANISH VERSION SHALL PREVAIL.

PREFACE

The purpose of corporate governance is to support value creation and accountable management, thus strengthening the long-term competitiveness of the companies. The recommendations are intended to help ensure confidence in companies.

Recommendations by the Committee are considered best practice guidelines for the management of companies with shares admitted to trading on a regulated market in Denmark, including Nasdaq Copenhagen A/S. The recommendations should be viewed together with the statutory requirements, including in particular, the Danish Companies Act and the Danish Financial Statements Act, European Union company law, the OECD Principles of Corporate Governance, etc.

Companies differ, and work on planning and reporting corporate governance may vary.

The most important aspect of the recommendations is to ensure that investors have insight into the companies and an understanding of their potential.

Companies should generally follow these recommendations. In order to create the transparency necessary for investors and other stakeholders, companies must consider each of the recommendations and provide information on whether or not they are in compliance with the respective recommendation (comply or explain approach). It is important that the explanations provided for each of the recommendations are specific and adequate.

In 2017, the committee carried out a review of the recommendations in light of the need to update several elements of the recommendations from 2013. The experience drawn from dialogue with companies and stakeholders points to the desire for a simplification of the recommendations. The Committee assumes that companies comply with statutory corporate, accounting, auditing and stock exchange requirements without repeating these requirements in these recommendations. To the greatest extent possible, the recommendations will thus not include elements that are directly stipulated in legislation or which are largely part of company practice.

The Committee will monitor developments in corporate governance continuously to develop the recommendations to comply with the soft law principle, as need be.

These recommendations replace the Committee's recommendations of 6 May 2013, with later amendments in 2014, and shall be applicable to the financial years commencing on 1 January 2018 or later and shall be used at the general meeting that reviews the annual report for 2018 or later.

Copenhagen, November 23, 2017

Committee on Corporate Governance

INTRODUCTION

1. The Committee's work

The Committee was commissioned to monitor corporate governance developments at national and international level, as well as to strive for continuity in corporate governance work in Denmark. Furthermore, the Committee is to collect views and experience concerning the Recommendations on Corporate Governance and adjust them such that, following an overall assessment, the recommendations are appropriate for Danish companies, comply with Danish and European Union company law and are recognised as best practice.

The Committee published an independent set of Recommendations for active Ownership in November 2016. The Committee is also responsible for monitoring the development within active ownership, both nationally and internationally. These recommendations can be found on the Committee's website.

Supervision of companies' compliance with rules and regulations is exercised by the Danish Financial Supervisory Authority, the Danish Business Authority and Nasdaq Copenhagen A/S. Nasdaq Copenhagen A/S annually reviews all companies admitted to trading here. As part of this review, Nasdaq Copenhagen A/S studies a selection of these companies to identify development trends or the areas in which there may be a need to guide companies in their work on corporate governance. Based on this study, the Committee prepares an annual report, which is published on the Committee's website.

The Committee emphasises that the recommendations should be an appropriate tool for companies to implement corporate governance.

The Committee's comments on the recommendations may be included as guidelines and inspiration for companies in their work on the recommendations. The Committee has also drawn up several guidelines, which can be used as inspiration. The guidelines are available at the Committee's website www.corporategovernance.dk. The actual report on corporate governance should be prepared on the basis of the Committee's specific recommendations and not according to the comments or guidelines.

The activities of financial undertakings are regulated by statute. Consequently, the Committee has chosen not to introduce specific recommendations for the financial sector.

2. Target group

Recommendations are aimed at Danish companies with shares admitted to trading on a regulated market in Denmark. These companies have chosen to be publicly traded companies. Transparency is essential for ensuring that investors and other stakeholders are able to evaluate the approach applied by such companies.

The recommendations or parts thereof may also serve as inspiration for companies not admitted to trading on a regulated market in Denmark, e.g. state-owned companies, other companies of special public interest or certain companies owned by funds.

3. Soft law and its implications

The recommendations are so called "soft law" and thus more flexible than legislation ("hard law"). Whereas regulation by law typically provides a minimum standard that sets the framework for company conduct, soft law reflects "best practice". Furthermore, soft law is characterised by a high degree of voluntariness, which provides recommendations with the flexibility necessary for companies to adjust the principles on corporate governance to their circumstances.

Soft law is more dynamic than traditional legislation, as it is more easily adapted to the developments within the affected areas. This allows for the recommendations to remain continuously up-to-date. Soft law is often an alternative to actual legislation, and well-functioning soft law can contribute towards not having to introduce hard law in areas where greater flexibility is needed to continuously adapt regulations to developments in society.

The flexibility of the recommendations since there is no single solution for all companies when it comes to corporate governance. Therefore, the recommendations allow the individual company to organise its governance optimally without having to adhere to fixed framework.

The comply or explain approach is a key element of the recommendations; in Denmark, this principle is laid down in section 107b of the Financial Statements Act and in Nasdaq Copenhagen A/S' rules for issuers of shares. Any explanation given must concern each recommendation and enable the reader to understand the company's style of management.

4. The comply or explain approach

Reports by companies on good corporate governance must be presented in accordance to the comply or explain approach. This means that the individual company indicates the recommendations with which it has chosen to comply or not to comply. It is thus acceptable that a company chooses to explain instead of complying with a specific recommendation. In such cases, the company must explain:

1. why it has chosen not to comply with the recommendation, and
2. what it has chosen to do instead.

The key element is thus for the company to adequately explain why it has chosen to act differently than the recommendation dictates, so that the necessary transparency regarding the specific matter exists. Furthermore, the report must reflect the situation at the time of financial reporting. Any significant changes during the year or after the balance sheet date should be described in the corporate governance report.

5. Reporting

The Financial Statements Act requires that information regarding the compliance of companies with the principles of corporate governance must be indicated in a corporate governance report published either in the management commentary or on the company's website with an exact reference thereto in the management commentary.

Publication on the website

The Committee believes that the greatest transparency is achieved when the corporate governance report is published on the company's website - with reference to the report in the management commentary.

Refer to part 4, the comply or explain approach, which explains how a company should act if it has chosen to take different action than that recommended.

For the purpose of preparing the report, the Committee on Corporate Governance has drawn up a form, which companies may use for their reporting. The form is available on www.corporategovernance.dk. By using the same reporting structure from year to year, investors and other stakeholders can more easily find, process and compare information. On the Committee's website, a number of frequently asked questions/answers and other guidelines can also be found.

6. Definitions

The management structures used by companies differ within the EU, and the same applies for legislation adopted by the different member states. Often reference is made to unitary and dual management structures, but they do not necessarily represent the same concept in all member states. The choice of management structure determines which body is responsible for a function or task.

Danish public limited companies are free to choose between two management structures. The management models in the Companies Act share one common feature: the executive board of the company is in charge of the day-to-day management.

In addition, public limited companies must have either a board of directors or a supervisory board. If the company has a board of directors, the executive board will only be in charge of the day-to-day management, while the board of directors will be in charge of the overall strategic management and will supervise the executive board. If the company has a supervisory board, such a board will only supervise the executive board, as the executive board will be in charge of the entire management function, i.e. also the general and strategic management.

In the view of the Committee, public limited companies with shares admitted to trading on a regulated market should have a board of directors and an executive board, as the Committee deems this structure to provide constructive and value-creating interaction between the two governing bodies. Consequently, and in order to clarify and simplify the recommendations on

corporate governance, the Committee has chosen to use the designations known thus far for the governing bodies: board of directors and executive board.

The tasks of the board of directors are also described in legislation on financial statements and in company law. These recommendations should be regarded within the context of these provisions and the company's articles of association, rules of procedure, etc.

RECOMMENDATIONS ON CORPORATE GOVERNANCE

1. Communication and interaction by the company with its investors and other stakeholders

The company's investors, employees and other stakeholders have a joint interest in stimulating the company's growth and ensuring that the company always is in a position to adapt to changing demands, thus allowing the company to continue to be competitive and to create value.

Therefore, it is essential to establish a positive interaction not only between management and investors, but also in relation to other stakeholders.

Good corporate governance is also about establishing appropriate frameworks, that enable investors to enter into a dialogue with the company's management.

Openness and transparency are required as to allow the company's investors and other stakeholders to have regular access to evaluate and relate to the company and its future, thus engaging in a constructive dialogue with the company on this basis.

The company's management ensures an appropriate and balanced development of the company in the short and long term.

1.1. Dialogue between company, shareholders and other stakeholders

1.1.1. THE COMMITTEE RECOMMENDS that the board of directors ensure ongoing dialogue between the company and its shareholders, so that the shareholders gain relevant insight into the company and in order for the board of directors to be aware of the shareholders' views, interests and opinions in relation to the company.

COMMENT: The company's dialogue with its shareholders may be summarised in an Investor Relations strategy that inter alia, indicates the type of information to be published, the language to be used as well as how, when and to whom this should be published.

The insight of the board of directors into the dialogue could be established through participation in investor meetings or from reports from such meetings, or through regular reporting from the executive board.

On behalf of the board of directors, the chairman should ensure good and constructive relations with the shareholders.

1.1.2. THE COMMITTEE RECOMMENDS that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders and that the board of directors ensure that the interests of the stakeholders are respected in accordance with company policies.

COMMENT: The policies, which the board of directors of a company may adopt, could consist of a communication policy, a policy for the company's relationship with its investors and a tax policy.

1.1.3. THE COMMITTEE RECOMMENDS that the company publish quarterly reports.

COMMENT: Interim announcements are not quarterly reports and are not regarded as fulfilling the recommendation. Regular information to the market concerning the company's situation generates openness and transparency in relation to investors and other stakeholders. Quarterly reports are an essential tool for ensuring this.

1.2. General meeting

1.2.1. THE COMMITTEE RECOMMENDS that in organising the company's general meeting, the board of directors plans the meeting to support active ownership.

COMMENT: When organising the general meeting, it is important to ensure that shareholders have the opportunity to participate, including voting without physical attendance at the general meeting. Considerations should address the possibility of holding the general meeting electronically, wholly or in part. The shareholders will then be in a position to influence the company's management on the development of the company in the short and long term.

1.2.2. THE COMMITTEE RECOMMENDS that proxies or votes by post for the general meeting allow shareholders to consider each individual item on the agenda.

1.3. Takeover bids

1.3.1. THE COMMITTEE RECOMMENDS that the company set up contingency procedures in the event of takeover bids, from the time that the board of directors has reason to believe that a takeover bid will be made. The contingency procedures should establish that the board of directors should not without the acceptance of the general meeting, attempt to counter the takeover bid by making decisions which, in reality, prevent the shareholders from deciding on the takeover bid themselves.

COMMENT: The board of directors should ensure that contingency procedures are available in the event of takeover bids. Such contingency procedures aim at ensuring that shareholders have a real opportunity to decide whether or not they wish to dispose of their shares in the company under the terms offered, and that the board of directors

- is informed about the formal conditions in the event of external enquiries,
- has discussed who will assume which tasks and which advisors will be consulted, and
- is ready for the challenges that may be associated with value creation in the company, cf. the comment on recommendation 2.1.2.

The board of directors will not be acting contrary to the recommendations if it seeks alternative (competing) takeover bids in order to create value for its shareholders.

2. Tasks and responsibilities of the board of directors

The board of directors shall diligently protect the interests of the shareholders with due consideration for the other stakeholders.

The board of directors is responsible for the overall and strategic management of the company to ensure value creation in the company. The board of directors must lay down the strategic goals of the company and ensure that the prerequisites necessary to reach such goals exist, consisting of both financial resources and competencies, and to ensure appropriate organisation of the company's activities.

The prerequisite for meeting the company's strategic goals is that the board of directors employs a competent executive board, lays down the division of responsibilities between the board of directors and the executive board, the tasks and employment relationships of the executive board, and also establishes clear guidelines for accountability, planning, follow-up and risk management. The board of directors must supervise the executive board and lay down guidelines for how to carry out the supervision.

The board of directors is responsible for ensuring the development, retention or dismissal of the executive board, as well as for ensuring that remuneration of the executive board reflects the long-term value creation in the company and the results otherwise achieved by the executive board.

The chairman of the board of directors organises, convenes and presides over meetings of the board of directors to ensure efficiency in the board's work and to create the best possible working conditions for the members individually and collectively. This ensures that the individual member's special knowledge and competencies are used in the best possible manner and to the benefit of the company.

In order for the board of directors to be able to meet its obligations, the chairman, in collaboration with the other members of the board of directors, should ensure that members regularly update and improve their knowledge on matters relevant to the company as well as ensure that the special knowledge and competencies of each individual member are used in the best possible manner and the benefit of the company.

2.1. Overall tasks and responsibilities

2.1.1. THE COMMITTEE RECOMMENDS that at least once annually the board of directors consider the matters that should be included in the board's performance of its work.

COMMENT: Through appropriate planning of the tasks of the board of directors, sufficient time should be available for the board to discuss the company's overall strategic goals and value creation. Formulating an annual plan – the "annual wheel" - can contribute to ensuring appropriate processing of the tasks of the board of directors, adapted to the activities and needs of the company. This includes a review of the rules of procedure for the board of directors.

2.1.2. THE COMMITTEE RECOMMENDS that at least once annually, the board of directors consider the overall strategy of the company with a view to ensuring value creation in the company.

COMMENT: It is a good idea to implement strategy discussions in a plan for value creation, which can be compared with alternative scenarios. These results can form the basis for further discussion on whether the company's strategy sufficiently addresses the company's short and long-term opportunities and challenges.

The ongoing strategy work should be planned such that the board of directors has a real possibility of influencing the company's strategic direction. It is a good idea to involve the board of directors in the strategy work along the way.

2.1.3. THE COMMITTEE RECOMMENDS that the board of directors ensure that the company has a capital and share structure which supports that the strategy and long-term value creation of the company are in the best interest of the shareholders and the company, and that the board of directors explain this in the management commentary and/or on the company's website.

COMMENT: For the purpose of these recommendations, capital and share structure refers to the size of the share capital, the denomination of shares, the number of share classes and the voting rights attached to the share classes, including restrictions on voting rights, the right to dividends, the distribution between equity financing and debt financing, treasury shares, share buy-backs, etc. The key element of this assessment is to ensure that the company is adequately capitalised and to ensure adequate liquidity of the shares and a reasonable distribution of risk and influence.

2.1.4. THE COMMITTEE RECOMMENDS that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board's reporting to the board of directors.

COMMENT: Guidelines on the division of responsibilities between the board of directors and the executive board should lay down more detailed frameworks for the interaction, including authorisation rules and the division of responsibilities between members of the executive board. If the board of directors or the executive board has special requests for work procedures, approval of policies and powers, these should be included in the guidelines.

2.1.5. THE COMMITTEE RECOMMENDS that at least once annually, the board of directors discuss the composition, developments, risks and succession plans of the executive board.

2.2. Corporate social responsibility

2.2.1. THE COMMITTEE RECOMMENDS that the board of directors adopt policies on corporate social responsibility.

COMMENT: In this connection, the board of directors may decide upon the company's possible adoption of recognised national and international voluntary initiatives.

2.3. Chairman and vice-chairman of the board of directors

2.3.1. THE COMMITTEE RECOMMENDS appointing a vice chairman of the board of directors, who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective sparring partner for the chairman.

COMMENT: The rules of procedure of the board of directors may include a general description of the tasks, duties and responsibilities of the chairman and the vice chairman.

2.3.2. THE COMMITTEE RECOMMENDS that, if the board of directors, in exceptional cases, asks the chairman of the board of directors or other board members to perform special activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect should be passed to ensure that the board of directors maintains its independent, general management and control function. Resolutions on the chairman's or other board members' participation in day-to-day management and the expected duration hereof should be publicly announced.

COMMENT: An adequate division of responsibilities should be ensured between the chairman, the vice chairman, the other members of the board of directors and the executive board. An agreement whereby the chairman or other board members undertake special tasks should include provisions on the special precautions taken to protect the distribution of roles and responsibilities in the board of directors and between the board of directors and the executive board.

3. Composition and organisation of the board of directors

The board of directors should be composed so that it is able to execute its strategic, managerial and supervisory tasks.

It is essential that the board of directors be composed so as to ensure effective performance of its tasks, through a constructive and qualified dialogue with the executive board. It is also essential that the members of the board of directors always act independently of special interests.

The board of directors defines the competencies required by the company and regularly assesses whether its composition and the competencies of its members, individually and collectively, reflect the requirements imposed by the company's situation and affairs.

Diversity improves the quality of the work and the interaction of the board of directors, e.g. through different approaches to the performance of management tasks.

To increase value creation, the board of directors should annually evaluate the composition of its members and ensure the necessary integration of new talent, while maintaining continuity.


In addition to the members of the board of directors elected by the general meeting, the board of directors may comprise members elected by the employees pursuant to the rules of the Companies Act.

3.1. Composition

3.1.1. THE COMMITTEE RECOMMENDS that the board of directors annually evaluate and in the management commentary, account for

- the competencies that it must have to best perform its tasks,
- the composition of the board of directors, and
- the special competencies of each member.

3.1.2. THE COMMITTEE RECOMMENDS that the board of directors annually discuss the company's activities to ensure relevant diversity at management levels and prepare and adopt a policy on diversity. The policy should be published on the company's website.


 **COMMENT:** Diversity includes among other things age, international experience and gender. A policy on diversity should concern matters relevant to the company in relation to diversity and which promote a relevant degree of diversity, strengthen management's qualifications and competencies and consider the future development of the company.

3.1.3. THE COMMITTEE RECOMMENDS that the selection and nomination of candidates for the board of directors be carried out through a careful and transparent process approved by the board of directors. When assessing its composition and nominating new candidates, the board of directors should in addition to the need for competencies and qualifications take into consideration the need for integration of new talent and diversity.

3.1.4 THE COMMITTEE RECOMMENDS that the notice convening a general meeting where the agenda includes the election of members to the board of directors, include (in addition to the statutory requirements) a description of the qualifications of the nominated candidates, including information about the candidates'

- other executive functions, including positions on executive boards, boards of directors and supervisory boards, including board committees, in Danish and foreign enterprises, and
- demanding organisational tasks

Furthermore, it should be indicated if the candidates to the board of directors are considered independent.

 **COMMENT:** The description may contain information about recruitment criteria established by the board of directors, including requirements for professional and personal qualifications, industrial experience, diversity (e.g. age, international experience and gender), educational background or other qualities that the board of directors deems to be paramount to be represented on the board of directors. The nomination to the general meeting on the composition of the board of directors should be drawn up in light of this.

3.1.5. THE COMMITTEE RECOMMENDS that members of the company's executive board be not members of the board of directors and that a resigning chief executive officer be not directly elected as chairman or vice chairman for the same company.

COMMENT: Proper division of responsibilities as well as independence should be ensured between the board of directors and executive board, and similarly, it should be ensured that the new chief executive officer is able to act independently of the previous chief executive officer.

3.1.6. THE COMMITTEE RECOMMENDS that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.

3.2. Independence of the board of directors

3.2.1. THE COMMITTEE RECOMMENDS that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests.

To be considered independent, this person may not:

- be or within the past five years have been a member of the executive board or senior staff member in the company, a subsidiary or an associated company,
- within the last five years, have received large emoluments from the company/group, a subsidiary or an associated company in a different capacity than as member of the board of directors,
- represent or be associated with a controlling shareholder,
- within the past year, have had significant business relations (e.g. personally or indirectly as partner or employee, shareholder, customer, supplier or member of management in companies with corresponding connection) with the company, a subsidiary or an associated company.
- be or within the past three years have been employed or been a partner in the same company as the auditor elected by the general meeting,
- be the chief executive officer in a company with cross-memberships with the company,
- have been a member of the board of directors for more than 12 years, or
- be a close relative of persons who are not considered independent.

Even if a member of the board of directors is not covered by the above criteria, certain conditions may exist that will lead the board of directors to decide that one or more members cannot be regarded as independent.

COMMENT: The board of directors decides which members are considered independent persons. When applying the independence criteria, the board of directors should focus on substance rather than form.

Independence means that the person in question does not have close ties to or represents the executive board, the chairman of the board of directors, controlling shareholders or the company.

The fact that a member of the board of directors was elected by votes of a controlling shareholder does not in itself influence the assessment of that member's independence. There are other factors that affect the question of independence, including whether the person in question is member of management or has close ties to the company's controlling shareholder.

If the board of directors determines that several members of the board of directors are associated with shareholders with significant influence, the board of directors should consider whether its composition is satisfactory in relation to independence. It is the opinion of the Committee that an indication of significant influence is when a shareholder holds more than 20% of the voting rights.

Cross-memberships of executive management are seen, for example, where a member of the board of directors in company A is a member of the executive board in company B while, at the same time, a member of the board of directors in company B is a member of the executive board in company A. A similar situation may arise when a member of the board of directors has significant relations to members of the executive board in the company through involvement in other companies or entities.

In the view of the Committee, employee representatives are not independent.

3.3. Members of the board of directors and the number of other management functions

3.3.1. THE COMMITTEE RECOMMENDS that each member of the board of directors assess the expected time commitment for each function so that the member does not take on more functions than he/she can complete at a satisfactory level for the company.

COMMENT: Generally, a member of the board of directors who is also a member of the executive management of a company should not take on more than a few non-executive directorships or one chairmanship and one non-executive directorship in companies not a part of the group. This assessment should also consider the number and scope of committee posts and other positions of trust.

3.3.2. THE COMMITTEE RECOMMENDS that the management commentary, in addition to the provisions laid down by legislation, includes the following information about the members of the board of directors:

- the position of the relevant person,
- the age and gender of the person in question,
- the person's competencies and qualifications that are relevant to the company,
- whether the member is considered independent,
- the member's date of appointment to the board of directors,
- expiry of the current election term,
- the member's participation in the meetings of the board of directors and committee meetings,
- other management functions, including memberships in executive boards, boards of directors, and supervisory boards, including board committees in Danish and foreign enterprises and demanding organisational tasks, and
- the number of shares, options, warrants and similar owned by the member in the company, and other group companies, as well as changes to the member's portfolio of the mentioned securities which have occurred during the financial year.

COMMENT: Participation in meetings of the board of directors and committee meetings promote a necessary and constructive debate, and information on member participation in such meetings is therefore relevant information. Physical participation should be the norm, however participation via digital media is also regarded as participation.

3.3.3. THE COMMITTEE RECOMMENDS that the annual evaluation procedure, cf. section 3.5, include an evaluation of what is regarded as a reasonable level for the number of other management functions, where the number, level and complexity of the other individual management functions are taken into account.

COMMENT: Annually, the board of directors must carry out a specific and individual evaluation of what would be regarded as a reasonable level in the number of other management functions for the individual members. The evaluation of other management functions must include the individual function's magnitude and scope.

3.4. Board committees

Board committees can contribute towards efficiency and improving the quality of the work performed by the board of directors. Board committees are committees established by the board of directors.

The sole purpose of establishing a board committee is to carry out preparatory work prior to processing in the board of directors, and it may not cause significant information that is required by all members of the board of directors to only be communicated to the

board committee, or that the necessary processing in the board of directors be limited or omitted.

The board of directors remains fully responsible for all decisions prepared by a board committee.

The board of directors should consider whether the company is particularly exposed, or whether other matters might motivate setting up further permanent committees other than the audit, nomination and remuneration committees. This may help obtain better exploitation of the special competencies that may be present in the board of directors. For example, this could be research and development or risk committees.

The board of directors may also set up ad hoc committees in connection with special tasks or issues of significant but temporary nature. This may help ensure the required focus on the task in question as well as temporal prioritisation. Such issues could be CSR, ethical or image-related issues, large acquisitions or takeover bids. The recommendations do not include ad hoc committees.

3.4.1. THE COMMITTEE RECOMMENDS that the company publish the following on the company's website:

- the terms of reference of the board committees,
- the most important activities of the committees during the year and the number of meetings held by each committee, and
- the names of the members of each committee, including the chairmen of the committees, as well as information regarding which members are independent members and which members have special competencies.

3.4.2. THE COMMITTEE RECOMMENDS that a majority of the members of a board committee be independent.

3.4.3. THE COMMITTEE RECOMMENDS that the members of the board of directors set up an audit committee and that a chairman is appointed who is not the chairman of the board of directors.

COMMENT: The audit committee should only consist of members of the board of directors and not external parties, as these parties do not have the same insight into company matters and are not necessarily subject to the same responsibility as members of the board of directors.

3.4.4. THE COMMITTEE RECOMMENDS that, prior to the approval of the annual report and other financial reports, the audit committee monitor and report to the board of directors about:

- significant accounting policies,
- significant accounting estimates,
- related party transactions, and
- uncertainties and risks, including in relation to the outlook for the current year.

3.4.5. THE COMMITTEE RECOMMENDS that the audit committee:

- annually assesses the need for an internal audit function and, in such a case, presents mandates and recommendations on selecting, appointing and removing the head of any internal audit function and on the budget of the internal audit function,
- ensure that if an internal audit has been established, a description of its functions is available and approved by the board of directors,
- ensure that if an internal audit has been established, adequate resources and competencies are allocated to carry out the work, and
- monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function.

COMMENT: If a decision is made to establish an internal audit function, the board of directors may choose to outsource the task. The party in question will carry out the internal audit and refer to the board of directors, the audit committee or the internal audit function.

3.4.6. THE COMMITTEE RECOMMENDS that the board of directors establish a nomination committee, which is at least, responsible for the following preparatory tasks:

- describing the qualifications required by the board of directors and the executive board and for a given position, indicating the time expected to be spent carrying out a specific position, as well as assessing the competencies, knowledge and experience found in the two governing bodies,
- annually assessing the structure, size, composition and results of the board of directors and the executive board and recommend any changes to the board of directors,
- annually assessing the competencies, knowledge, experience and succession of the individual members of management, and report to the board of directors in this respect,
- recommending candidates for the board of directors and the executive board, and
- proposing an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.

COMMENT: When electing candidates for the board of directors, external assistance should be considered.

3.4.7. THE COMMITTEE RECOMMENDS that the board of directors establish a remuneration committee, which is at least, responsible for the following preparatory tasks:

- recommending the remuneration policy (including the “General Guidelines for incentive-based Remuneration”) to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting,
- making proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensuring that the remuneration is in compliance with the company’s remuneration policy and the assessment of the performance of the persons concerned. The committee should have information on the total remuneration that members of the board of directors and the executive board receive from other companies in the group
- recommending a remuneration policy applicable for the company in general and
- assisting with the preparation of the annual remuneration report.

COMMENT: Consider getting external assistance in the preparation of the incentive pay scheme.

3.4.8. THE COMMITTEE RECOMMENDS that the remuneration committee do not consult with the same external advisers as the executive board of the company.

3.5. Evaluation of the performance of the board of directors and the executive board

The evaluation process is to form the basis for continuous improvements in board work and is to ensure that the board of directors continues to have the right composition and that new talent is introduced on an ongoing basis. Involving external assistance in the evaluation process may be considered periodically.

3.5.1. THE COMMITTEE RECOMMENDS that the board of directors establishes an evaluation procedure for an annual evaluation of the board of directors and the individual members. External assistance should be obtained at least every third year. The evaluation should inter alia include:

- contribution and results,
- cooperation with the executive board,
- the chairman’s leadership of the board of directors,
- the composition of the board of directors (including competencies, diversity and the number of members),
- the work in the committees and the committee structure, and
- the organisation and quality of the material that is submitted to the board of directors.

The evaluation procedure and the general conclusions should be described in the management commentary and on the company’s website. The chairman should account for the evaluation of the board of directors, including the process and general conclusions, on the general meeting prior to the election of the board of directors.

COMMENT: The evaluation of the individual member could be carried out as an assessment that is carried out by the other members and members of the executive board. The evaluation is followed up with an annual interview between the chairman and the individual member. If no external assistance has been used, the evaluation of the chairman should be undertaken by a member other than the chairman.

To increase value creation, the board of directors should carry out an annual evaluation of its composition and ensure integration of new talent, while maintaining continuity. The evaluation should form the basis for new initiatives to be launched, such as relevant supplementary training and new talent or replacement.

This evaluation will also include participation by the individual members in board and committee meetings.

3.5.2. THE COMMITTEE RECOMMENDS that at least once annually, the board of directors evaluate the work and performance of the executive board in accordance with pre-defined criteria. Furthermore, the board of directors should evaluate the need for changes to the structure and composition of the executive board, in light of the company's strategy.

3.5.3. THE COMMITTEE RECOMMENDS that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the board of directors and the chief executive officer, and that the outcome of the evaluation be presented to the board of directors.

COMMENT: This evaluation should be integrated into the overall evaluation of the board of directors.

4. Remuneration of management

Openness and transparency about all important issues regarding company policy on, and amounts of, the total remuneration offered to members of the management are essential. Company policy on remuneration should support a long-term value creation for the company.

Competitive remuneration is a prerequisite for attracting and retaining competent members of the management of the company. The company should have a remuneration policy, according to which the total remuneration package, i.e. the fixed and variable components and other remuneration components, as well as other significant employment terms, are at a reasonable level and reflect management's performance, responsibilities and value creation for the company.

The variable component of the remuneration (the incentive-based scheme) should be based on actual achievements over a period of time with a view to long-term value creation, so as not to promote short-term and risky behaviour.

The board of directors should consider the need to include external consultants in relation to the preparation of the remuneration policy and its implementation.

Information on management remuneration should be compiled in a remuneration report.

4.1. Form and content of the remuneration policy

4.1.1. THE COMMITTEE RECOMMENDS that the board of directors prepare a remuneration policy for the board of directors and the executive board, which includes

- a detailed description of the components of the remuneration for members of the board of directors and the executive board,
- the reasons for choosing the individual components of the remuneration,
- a description of the criteria that form the basis for the balance between the individual components of the remuneration, and
- an explanation for the correlation between the remuneration policy and the company's long-term value creation and relevant related goals.

The remuneration policy should be approved by the general meeting at least every fourth year and upon any material amendments and published on the company's website.

COMMENT: The remuneration policy comprises fixed emoluments as well as incentive-based pay schemes. Once approved by the general meeting, the remuneration policy, including the “General Guidelines for incentive-based Remuneration” laid down in section 139 of the Companies Act, is only to be approved again by the general meeting, if the policy or the general guidelines adopted for incentive-based remuneration are amended, although at least every fourth year.

4.1.2. THE COMMITTEE RECOMMENDS that if the remuneration policy includes variable components,

- limits be set on the variable components of the total remuneration package,
- a reasonable and balanced composition be ensured between remuneration for members of management and the value creation for shareholders in the long term,
- clarity be established about performance criteria and measurability for the award of variable components,
- it is ensured that variable remuneration not only consists of short term remuneration components, and that long-term remuneration components must have a vesting or maturity period of at least three years, and
- it be ensured that the company has the ability to reclaim, in full or in part, variable components of remuneration that were paid on the basis of information, which subsequently are found to be incorrect.

4.1.3. THE COMMITTEE RECOMMENDS that remuneration of members of the board of directors does not include share options or warrants.

COMMENT: If members of the board of directors are partly remunerated with shares at market value, this does not contravene with these recommendations.

4.1.4. THE COMMITTEE RECOMMENDS that if, in relation to long-term incentive programmes, a share-based remuneration is used, the programmes should have a vesting or maturity period of at least three years after being allocated and should be roll-over programmes, i.e. the options should be granted periodically.

COMMENT: A vesting or maturity period of at least three years after allocation should ensure consistency between the share-based remuneration and the long-term value creation for the company. Apart from the vesting period, there may also be a maturity period before payment.

4.1.5. THE COMMITTEE RECOMMENDS that the total value of the remuneration relating to the notice period, including severance pay, do not exceed two years of remuneration, including all components of the remuneration.

4.2. Disclosure of remuneration

4.2.1. THE COMMITTEE RECOMMENDS that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's statement at the company's general meeting.

COMMENT: If the total remuneration includes contributions to pension schemes, such payments and the actuarial value and changes of such schemes over the year, are considered to be covered by the disclosure on remuneration. Resignation arrangements cover a wide area, including period of notice and qualification, severance pay, "change of control" agreements, insurance and pension schemes, payment of pension contributions after resignation, etc.

4.2.2. THE COMMITTEE RECOMMENDS that shareholders at the general meeting consider proposals for approval of remuneration for the board of directors for the current financial year.

4.2.3. THE COMMITTEE RECOMMENDS that the company prepares a remuneration report that includes information on the total remuneration received by each member of the board of directors and the executive board from the company and other companies in the group and associated companies for the last three years, including information on the most important content of retention and resignation arrangements and that the correlation between the remuneration and company strategy and relevant related goals be explained.

The remuneration report should be published on the company's website.

5. Financial reporting, risk management and audits

Each member of the board of directors and the executive board is responsible for ensuring that the preparation the annual report and other financial reports is carried out in accordance with current legislation, applicable standards and any further requirements concerning financial statements stipulated in the articles of association, etc.

The annual report and other financial reports should be supplemented by additional financial and non-financial information, if deemed necessary or relevant in relation to the information needs of the recipients.

The members of the board of directors and executive board must ensure that the financial reporting is easy to understand and well-balanced and provides a true and fair view of the company's assets, liabilities, financial position, results and cash flow. The management commentary must give a true and fair presentation of the state of affairs, including value creation and the future outlook.

When considering and approving the annual report, the board of directors must specifically decide whether the financial reporting is based on the going concern assumption including any particular assumptions and in such cases, any associated qualifications.


Effective risk management and an effective internal control system contribute to reducing strategic and business risks, to ensuring compliance with current rules and regulations and to ensuring the quality of the basis for management decisions and financial reporting. It is essential that risks are identified and managed appropriately.

Effective risk management and internal control are a precondition for the board of directors and the executive board to efficiently perform the tasks incumbent upon them. Consequently, it is essential that the board of directors ensures effective risk management and effective internal controls.

An independent and competent audit is essential for the board of directors' work.


5.1. Identification of risks and transparency about other relevant information

5.1.1. THE COMMITTEE RECOMMENDS that the board of directors consider and in the management commentary account for the most important strategic and business-related risks, risks in connection with the financial reporting as well as for the company's risk management.

 **COMMENT:** Information about the company's risk management in relation to strategic and business-related risks supplements the statutory account in the management commentary on the company's internal control and risk management systems in connection with the financial reporting process.

5.2. Whistleblower scheme

5.2.1. THE COMMITTEE RECOMMENDS that the board of directors establish a whistleblower scheme for expedient and confidential notification of serious wrongdoing or suspicions thereof.

 **COMMENT:** A whistleblower scheme should be anchored in the board of directors, possibly through the audit committee.

5.3. Contact to auditor

5.3.1. THE COMMITTEE RECOMMENDS that the board of directors ensure regular dialogue and exchange of information between the auditor elected by the general meeting and the board of directors, including that the board of directors and the audit committee meet with the auditor elected by the general meeting at least once annually without the executive board present. This also applies to the internal auditor, if any.

5.3.2. THE COMMITTEE RECOMMENDS that the audit agreement and auditors fee be agreed by the board of directors and the auditor elected by the general meeting based on a recommendation from the audit committee.

Committee on Corporate Governance in perspective

The Committee on Corporate Governance should primarily but not exclusively

- participate in corporate governance networks in the EU and in international contexts,
- consider the implementation of EU recommendations, etc. where it is assumed that member states have national corporate governance bodies,
- monitor developments in corporate governance at national and international levels,
- be consulted/issue consultation statements in connection with relevant draft legislation,
- strive for continuity in the work on corporate governance in Denmark,
- work towards ensuring that companies with shares listed on the Danish regulated markets to have reasonable and appropriate conditions and terms to adapt to the recommendations on corporate governance applicable at all times,
- collect views and experience from companies derived from their work with the recommendations,
- launch and support empirical studies in the field of corporate governance,
- at appropriate intervals and after prior relevant consultation, adapt the Danish recommendations on corporate governance to ensure that, from an overall assessment, the recommendations, for Danish listed companies continue to be appropriate and in conformity with Danish and EU company legislation and are recognised best practice, and
- disseminate and ensure compliance with the Recommendations for Active Ownership.

The Committee's members are appointed for a period of two years. Members may be re-appointed for another three periods.

In the terms of reference of 2 March 2001, Lars Nørby Johansen, Jørgen Lindegaard, Waldemar Schmidt and Mads Øvlisen were asked to assess the need for recommendations on corporate governance in Denmark, and to make proposals for this. In the same year, the first recommendations on corporate governance were published.

At publication of these recommendations, the Committee comprises Lars Frederiksen (chairman), Jens Due Olsen (vice-chairman), Rikke Schiøtt Petersen, Laila Mortensen, Per Gunslev, Ole Andersen, Karen Frøsig, Nikolaj Kosakewitsch, Britt Meelby Jensen, Christian Hyldahl and Eric Christian Pedersen.

Since 2001, 33 persons have participated in the work on the recommendations. Other than the above mentioned persons, these are Bodil Nyboe Andersen, Ingelise Bogason, Hans-Ole Jochumsen, Finn Meyer, Peter Ravn, Lars Rohde, Carsten Stendevad, Sten Scheibye, Henrik Stenbjerre, Birgit Aagaard-Svendsen, Marianne Philip, Henrik Brandt, Thomas Hofman-Bang, Stig Enevoldsen, Dorrit Vanglo, Bjørn Sibbern, Jørn P. Jensen og Vagn Sørensen.

These recommendations have been updated eight times: in 2005, twice in 2008, in 2010, in 2011, in 2013, in 2014 and, most recently, in 2017.

