

# Corporate Governance

Statutory report on Corporate  
Governance 2017, cf. Section 107b  
of the Danish Financial Statements  
Act



# Index

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1. Introduction .....	2
2. Shareholders .....	2
3. Management and Board Committees.....	3
3.1. Board of Directors .....	3
3.2. Executive Board .....	3
3.3. Audit Committee .....	4
4. Remuneration .....	4
4.1. Board of Directors .....	4
4.2. Executive Board .....	5
5. Dialogue with shareholders and other stakeholders.....	5
6. Internal controls and risk management related to financial reporting .....	5
6.1. Overall control environment .....	5
6.2. Risk assessment .....	6
6.3. Control activities and monitoring.....	6
6.4. Information and communication .....	6
7. Recommendations for Corporate Governance.....	7

## 1. Introduction

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Statutory report on the recommendations from the Committee on Corporate Governance.

This statutory report constitutes part of the management's report to the Annual Report for Columbus A/S. This statutory report covers the fiscal year 1 January 2017 to 31 December 2017.

Columbus is committed to follow the Danish Recommendations for Corporate Governance as implemented on 1 June 2013 by NASDAQ Copenhagen in its Rules for Issuers of Shares. Accordingly, the Board of Directors continuously considers the recommendations in order to determine which are relevant for Columbus, considering the size, ownership structure, nature of the Company and the Company's business model.

Columbus A/S:

- Complies with 35 of the recommendations
- Does not comply with 12 of the recommendations; 1.1.3, 1.3.1, 3.1.4, 3.2.1, 3.4.2, 3.4.6, 3.4.7, 3.4.8, 4.1.3, 4.2.1, 4.2.2 and 4.2.3. The deviations are described in Section 7 according to the "comply and explain" principle.

This report is not covered by the auditor's remarks about the management's report.

## 2. Shareholders

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The communication between Columbus and shareholders primarily takes place via company announcements, conference calls after publication of financial statements and at the company's Annual General Meeting. The Company's website is constantly updated with published information. Columbus' shareholders may subscribe to Columbus' e-mail service and receive company announcements, interim management statements, interim reports and annual reports as well as other news via e-mail.

The General Meeting has the final authority over the Company. The Board of Directors emphasize that the shareholders are given detailed information and an adequate basis for the decisions to be made by the General Meeting. The date for the General Meeting is announced in the Company's financial calendar. Notice of the General Meeting occurs electronically with at least three weeks' and at the most, five weeks' notice. All shareholders have the right to participate and vote at the General Meeting, cf. the Articles of Association. Shareholders have the opportunity to vote by proxy. Votes by proxy allow shareholders to consider each individual item on the agenda. The Board of Directors encourages shareholders to ask questions at the General Meeting, and shareholders may submit proposals that are requested to be handled at the General Meeting before a given deadline.

Resolutions to amend the Articles of Association require that at least half of the share capital is represented at the General Meeting, and the resolutions must be approved by at least 2/3 of the votes cast and 2/3 of the registered voting share capital. Proposals presented or recommended by the Board of Directors may, however, always be passed with at least 2/3 of both the votes cast and the voting share capital represented, regardless of the amount of the share capital represented. If less than 50% of the share capital is represented at the General Meeting but the resolution has been

passed with 2/3 of both the votes cast and the registered voting share capital represented, a new General Meeting must be called within three weeks, where the resolution may be passed with 2/3 of both the votes cast and the registered voting share capital represented, irrespective of whether 50% of the share capital is represented.

## 3. Management and Board Committees

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Columbus has a unified management structure consisting of a Board of Directors and an Executive Board. The two bodies are separate and no one serves as members of both.

### 3.1. Board of Directors

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The Board of Directors in Columbus A/S consists of four members: Ib Kunøe, Jørgen Cadovius, Sven Madsen and Peter Skov Hansen. The board members are elected for one year at a time with the option for re-election. The number of board members is considered adequate by the Board of Directors, and likewise the composition of the Board is considered appropriate in terms of professional experience and relevant special competences to perform the tasks of the Board of Directors. One out of the four members elected by the General Meeting is an independent member, and none of the Board members participates in the day-to-day operation of the Company. For more details about the members of the Board of Directors and the members of the Audit Committee, please see “Board of Directors and Executive Board” on page 38. The Board of Directors holds at least nine meetings a year according to a meeting schedule planned one year in advance on the Board meeting in December. Extraordinary Board meetings are held according to need. In 2017 13 Board meetings were held. The Executive Board participates in Board meetings in order to ensure a direct dialogue and that the Board of Directors is well informed about the operation of the Company.

The Board of Directors is responsible for the overall management of the Company on behalf of the shareholders and supervises the Company and ensures adequate management of the Company in compliance with legislation and Articles of Association. Together with the Executive Board, the Board of Directors determines goals and strategies, and approves budgets and action plans.

The Board of Directors makes decisions about acquisitions, large investments and divestments, size and composition of capital base, long-term debt, controlling, auditing and considerable operational circumstances.

The general guidelines for the Board of Director’s work are specified in the Rules of Procedure, which are reviewed at least once annually and are adapted to Columbus’ needs.

### 3.2. Executive Board

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The Board of Directors appoints the Executive Board and determines the terms of employment. The Executive Board is responsible for the day-to-day operation of Columbus, including strategy, budgets and targets for the Company.

The Executive Board consists of two members: CEO & President, Thomas Honoré and Corporate CFO Hans Henrik Thrane.

The Board of Directors has adopted Rules of Procedure for the Executive Board, which describes the overall tasks and responsibilities of the Executive Board, reporting to the Board of Directors and authorities of the Executive Board.

The Rules of Procedure for the Executive Board are reviewed and approved annually.

Information from the Executive Board occurs systematically as well as at meetings and in written and verbal ongoing reporting. The reporting contains information about the financial development as well as profitability.

### 3.3. Audit Committee

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In April 2009, the Company appointed an Audit Committee, the purpose of which is to consider accounting, audit, risk and controlling issues. The Audit Committee consists of Peter Skov Hansen (Chairman) and Sven Madsen.

The tasks of the Audit Committee have been determined in a Terms of Reference, which has been approved by the Board of Directors. The Terms of Reference are available on the Company's website. The Committee determines the meeting frequency. In 2017, four meetings were held.

## 4. Remuneration

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The Company has prepared guidelines for incentive programs for members of the Board of Directors and the Executive Board. The principles of the guidelines reflect a lasting and long-term value creation for the Group's shareholders.

The guidelines were adopted by the general meeting in October 2016 and are available on the Company's corporate website: [www.columbusglobal.com](http://www.columbusglobal.com).

### 4.1. Board of Directors

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Members of the Board of Directors receive a fixed annual fee, which is approved at the Annual General Meeting for the previous year when approving the Annual Report. It is ensured that the remuneration of the members of the Board of Directors is in accordance with the general practice in the market and reflects the efforts required.

The guidelines for incentive programs include share-based incentive programs for the Board of Directors, and the Board of Directors were granted a warrant program in July 2016 and in December 2017.

## 4.2. Executive Board

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Members of the Executive Board receive an agreed annual base salary, as well as incentive programs consisting of performance and result related bonus schemes, share-based payment and other benefits.

According to the guidelines, incentive programs may also include retention bonus, loyalty bonus or the like. The Company does not pay termination payments which amount to more than two years' annual remuneration.

The Board of Directors approves the remuneration of the Executive Board.

The total remuneration paid to the Board of Directors and Executive Board appears from note 5 in the Annual Report 2017. Incentive programs are announced in accordance with NASDAQ's disclosure requirements.

## 5. Dialogue with shareholders and other stakeholders

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Columbus endeavors to continuously enhance the open and active dialogue with shareholders and other stakeholders. In 2014, Columbus started hosting conference calls after publication of financial statements. The calls can be followed directly via the Company's website, and webcasts are available at the website after the conference calls. During these conference calls participants have the opportunity to ask questions to the Group management.

## 6. Internal controls and risk management related to financial reporting

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The intention with Columbus A/S' internal control system is to eliminate or mitigate significant risks identified in the financial reporting, and that material errors and inconsistencies in the financial reporting process are identified and corrected.

### 6.1. Overall control environment

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The Board of Directors has the overall responsibility for Columbus A/S' internal controls and has approved Group policies related to internal controls, standards and procedures for financial reporting.

The Board of Directors has appointed the Audit Committee to assist the Board of Directors with supervising the financial reporting process and monitoring the effectiveness of the internal controls and risk management system.

The responsibility for maintaining efficient internal controls and a risk management system in connection with the financial reporting lies with the Executive Board which in cooperation with the Board of Directors evaluate the control system of the Group annually. Responsibilities, authorities and procedures relating to essential areas are defined in a Group policy which is approved by the Executive Board.

## 6.2. Risk assessment

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The Board of Directors and the Executive Board assess the risks that Columbus A/S is exposed to, including risks related to the financial reporting process annually.

On an ongoing basis, the Audit Committee monitors the effectiveness of the internal controls for financial reporting and reviews and discusses material and relevant changes to accounting principles, including implementation of these.

## 6.3. Control activities and monitoring

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All companies in the Columbus Group report financial and operational data to the head office on a monthly basis. The reporting includes comments to the financial and business development. Based on this reporting the Group's financial statements are consolidated and reported to the Group management. As part of this process, monthly business reviews and controlling meetings are held, and control visits to all operational companies in the Group are performed on an ongoing basis in order to ensure that material errors in the financial reporting are discouraged, discovered and corrected.

The need for an internal audit is considered annually by the Audit Committee. However, due to the size of the Company and the established control activities the Audit Committee so far considers it unnecessary to establish an independent internal executive audit board.

As part of the risk management, Columbus A/S has established a whistle blower function for expedient and confidential notification of possible or suspected wrongdoing.

## 6.4. Information and communication

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Columbus A/S has implemented a formalized reporting process for monthly, quarterly and annual reporting as well as for budgeting and forecasting.

Columbus A/S's reporting manual and other reporting instructions are updated on an ongoing basis. All updates are communicated to the global finance organization. All employees have access to reporting manuals and instructions.

## 7. Recommendations for Corporate Governance

The report concerns the financial year 1 January - 31 December 2017.

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation
<b>1. Communication and interaction by the company with its investors and other stakeholders</b>			
<i>1.1. Dialogue between company, shareholders and other stakeholders</i>			
1.1.1. The Committee <b>recommends</b> that the board of directors ensure ongoing dialogue between the company and its shareholders in order for the shareholders to gain relevant insight into the company's potential and policies, and in order for the board of directors to be aware of the shareholders' views, interests and opinions on the company.	X		
1.1.2. The Committee <b>recommends</b> that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders and other investors, and that the board ensures that the interests of the shareholders are respected in accordance with company policies.	X		
1.1.3. The Committee <b>recommends</b> that the company publish quarterly reports		X	The company only publishes annual and interim reports in accordance with International Financial Reporting Standards (IFRS) as adopted by EU and additional Danish interim reporting requirements for listed companies as formulated by NASDAQ Copenhagen A/S.

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation
			<p>In the periods between publication of annual reports and interim reports, Columbus has chosen to publish interim management statements about the development of the company and relevant markets, as well as a general description of the group and its financial position and results, cf. the rules laid down by NASDAQ Copenhagen A/S. In the management's opinion the structure of the company, where peak seasons and volume historically have taken place in the second and fourth quarter, does not necessitate extensive reporting in the first and the third quarter.</p> <p>Besides from annual reports, interim reports and interim management statements, essential information of importance for how the shareholders and the financial markets evaluate the company is published separately.</p> <p>Annual reports are published via NASDAQ Copenhagen A/S and are subsequently available for download on the company's website.</p>
<i>1.2. General meeting</i>			
1.2.1. The Committee <b>recommends</b> that when organizing the company's general meeting, the board of directors plans the meeting to support active ownership.	X		
1.2.2. The Committee <b>recommends</b> that proxies granted for the general meeting allow shareholders to consider each individual item on the agenda.	X		

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation
<i>1.3. Takeover bids</i>			
1.3.1. The Committee <b>recommends</b> 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. According to such contingency procedures, 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.		X	If a third-party takeover bid is made public the Board of Directors will respond to this in accordance to legislation and the shareholders will be involved through the general meeting. Thus, the Board of Directors has decided not to set up contingency procedures, as one shareholder, Consolidated Holdings A/S owned by the Chairman of the Board holds 48.15% of the voting rights (including shareholder voting agreements). Therefore, no decision regarding takeover bid can be made without this one shareholder.
<b>2. Tasks and responsibilities of the board of directors</b>			
<i>2.1. Overall tasks and responsibilities</i>			
2.1.1. The Committee <b>recommends</b> that at least once a year the board of directors take a position on the matters related to the board's performance of its responsibilities.	X		
2.1.2. The Committee <b>recommends</b> that at least once a year the board of directors take a position on the overall strategy of the company with a view to ensuring value creation in the company.	X		
2.1.3. The Committee <b>recommends</b> that the board of directors ensure that the company has a capital and share structure ensuring 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 presents this in the management commentary on the company's annual report and/or on the company's website.	X		

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation
2.1.4. The Committee <b>recommends</b> that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board on timely, accurate and adequate reporting to the board of directors.	X		
2.1.5. The Committee <b>recommends</b> that at least once a year the board of directors discuss the composition of the executive board, as well as developments, risks and succession plans.	X		
2.1.6. The Committee <b>recommends</b> that once a year the board of directors discuss the company's activities to ensure relevant diversity at management levels, including setting specific goals and accounting for its objectives and progress made in achieving the objectives in the management commentary on the company's annual report and/or on the website of the company.	X		
<i>2.2. Corporate social responsibility</i>			
2.2.1. The Committee <b>recommends</b> that the board of directors adopt policies on corporate social responsibility.	X		
<i>2.3. Chairman and vice-chairman of the board of directors</i>			
2.3.1. The Committee <b>recommends</b> 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.	X		

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation
<p>2.3.2. The Committee <b>recommends</b> ensuring that, if the board of directors, in exceptional cases, asks the chairman of the board of directors to perform special operating activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect be passed to ensure that the board of directors maintains its independent, overall management and control function. Resolutions on the chairman’s participation in day-to-day management and the expected duration hereof should be published in a company announcement.</p>	X		
<p><b>3. Composition and organization of the board of directors</b></p>			
<p><i>3.1. Composition</i></p>			
<p>3.1.1. The Committee <b>recommends</b> that the board of directors annually accounts for</p> <ul style="list-style-type: none"> <li>• the skills it must have to best perform its tasks,</li> <li>• the composition of the board of directors, and</li> <li>• the special skills of each member.</li> </ul>	X		
<p>3.1.2. The Committee <b>recommends</b> that the selection and nomination of candidates for the board of directors be carried out through a thoroughly transparent process approved by the overall board of directors. When assessing its composition and nominating new candidates, the board of directors must take into consideration the need for integration of new talent and diversity in relation to age, international experience and gender.</p>	X		

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation
<p>3.1.3. The Committee <b>recommends</b> that a description of the nominated candidates' qualifications, including information about the candidates'</p> <ul style="list-style-type: none"> <li>• other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises, be accompanied by the notice convening the general meeting when election of members to the board of directors is on the agenda.</li> <li>• demanding organizational tasks, and information</li> <li>• about whether candidates to the board of directors are considered independent.</li> </ul>	X		
<p>3.1.4. The Committee <b>recommends</b> that the company's articles of association stipulate a retirement age for members of the board of directors.</p>		X	Columbus has no age limit for the Board of Directors as the Company believes that what is crucial is each member of the Board's commitment, efforts and competencies – not the age of the member.
<p>3.1.5. The Committee <b>recommends</b> that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.</p>	X		
<b>3.2. Independence of the board of directors</b>			
<p>3.2.1. The Committee <b>recommends</b> 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:</p>		X	<p>Two of the Board members elected by the General Meeting represent the interests of a controlling shareholder and are therefore not considered independent.</p> <p>With effect from April 2017, one of the other Board members elected by the General Meeting, served on the Board for more than 12 years and is therefore no longer considered independent.</p>

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation
<ul style="list-style-type: none"> <li>• be or within the past five years have been member of the executive board, or senior staff member in the company, a subsidiary undertaking or an associate,</li> <li>• within the past five years, have received larger emoluments from the company/group,</li> <li>• a subsidiary undertaking or an associate in another capacity than as member of the</li> <li>• board of directors,</li> <li>• represent the interests of a controlling shareholder,</li> <li>• within the past year, have had significant business relations (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management in companies with corresponding connection) with the company, a subsidiary undertaking or an associate.</li> <li>• be or within the past three years have been employed or partner at the external auditor,</li> <li>• have been chief executive in a company holding cross-memberships with the company,</li> <li>• have been member of the board of directors for more than 12 years, or</li> <li>• have been close relatives with persons who are not considered independent.</li> </ul>			<p>Consequently, only one of the four Board Members is considered independent, and the Company thereby does not comply with the recommendation that at least half of the Board members must be independent. The intention is to replace one of the Board members with a new, independent Board member at the upcoming Annual General Meeting on 24 April 2018. This will reinstate the compliance.</p>
<p><i>3.3. Members of the board of directors and the number of other executive functions</i></p>			
<p>3.3.1. The Committee <b>recommends</b> that each member of the board of directors assesses the expected time commitment for each function in order that the member does not take on more functions than he/she can manage satisfactorily for the company.</p>	X		

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation
<p>3.3.2. The Committee <b>recommends</b> 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:</p> <ul style="list-style-type: none"> <li>• the position of the relevant person,</li> <li>• the age and gender of the relevant person,</li> <li>• whether the member is considered independent,</li> <li>• the date of appointment to the board of directors of the member,</li> <li>• expiry of the current election period,</li> <li>• other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises and</li> <li>• demanding organizational tasks, and</li> <li>• the number of shares, options, warrants and similar in the company, and other group companies of the company, owned by the member, as well as changes in the portfolio of the member of the securities mentioned which have occurred during the financial year.</li> </ul>	X		
<i>3.4. Board committees</i>			
<p>3.4.1. The Committee <b>recommends</b> that the company publish the following on the company's website:</p> <p>The terms of reference of the board committees,</p> <ul style="list-style-type: none"> <li>• the most important activities of the committees during the year, and the number of meetings held by each committee, and</li> <li>• the names of the members of each committee, including the chairmen of the committees, as well as information on which</li> </ul>	X		

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation
members are independent members and which members have special qualifications.			
3.4.2. The Committee <b>recommends</b> that a majority of the members of a board committee be independent.		X	Half of the members of the Audit Committee (Peter Skov Hansen) are considered independent members. Columbus has so far not found it necessary to form further committees under the Board of Directors.
<p>3.4.3. The Committee <b>recommends</b> that the board of directors set up a formal <u>audit committee</u> composed such that</p> <ul style="list-style-type: none"> <li>• the chairman of the board of directors is not chairman of the audit committee, and</li> <li>• between them, the members should possess such expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit aspects of companies whose shares are admitted to trading on a regulated market.</li> </ul>	X		
<p>3.4.4. The Committee <b>recommends</b> that, prior to the approval of the annual report and other financial reports, the audit committee monitors and reports to the board of directors about:</p> <ul style="list-style-type: none"> <li>• significant accounting policies,</li> <li>• significant accounting estimates,</li> <li>• related party transactions, and</li> <li>• uncertainties and risks, including in relation to the outlook for the current year.</li> </ul>	X		
<p>3.4.5. The Committee <b>recommends</b> that the audit committee:</p> <ul style="list-style-type: none"> <li>• annually assesses the need for an internal audit, and in such case, makes recommendations on selecting, appointing and removing</li> </ul>	X		

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation
<p>the head of the internal audit function and on the budget of the internal audit function, and</p> <ul style="list-style-type: none"> <li>monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function.</li> </ul>			
<p>3.4.6. The Committee <b>recommends</b> that the board of directors establish a nomination committee chaired by the chairman of the board of directors with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>describe the qualifications required by the board of directors and the executive board, and for a specific membership, state the time expected to be spent on having to carry out the membership, as well as assess the competences, knowledge and experience of the two governing bodies combined,</li> <li>annually assess the structure, size, composition and results of the board of directors and the executive board, as well as recommend any changes to the board of directors,</li> <li>annually assess the competences, knowledge and experience of the individual members of management, and report to the board of directors in this respect,</li> <li>consider proposals from relevant persons, including shareholders and members of the board of directors and the executive board for candidates for the board of directors and the executive board, and</li> <li>propose an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.</li> </ul>		X	Columbus has so far not found it necessary to form further committees under the Board of Directors. In cases about nomination decisions are made by the entire Board of Directors.

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation
<p>3.4.7. The Committee <b>recommends</b> that the board of directors establish a remuneration committee with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>to recommend 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,</li> <li>make proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensure 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 about the total amount of remuneration that members of the board of directors and the executive board receive from other companies in the group, and</li> <li>recommend a remuneration policy applicable for the company in general.</li> </ul>		X	Columbus has so far not found it necessary to form further committees under the Board of Directors. Decisions regarding remuneration are made by the entire Board of Directors.
<p>3.4.8. The Committee <b>recommends</b> that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p>		X	Columbus has so far not found it necessary to form further committees under the Board of Directors.
<p><i>3.5. Evaluation of the performance of the board of directors and the executive board</i></p>			
<p>3.5.1. The Committee <b>recommends</b> that the board of directors establish an evaluation procedure where contributions and results of the board of directors and the individual members, as well as collaboration with the executive board are annually evaluated.</p>	X		

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation
Significant changes deriving from the evaluation should be included in the management commentary or on the company's website.			
3.5.2. The Committee <b>recommends</b> that in connection with preparation of the general meeting, the board of directors consider whether the number of members is appropriate in relation to the requirements of the company. This should help ensure a constructive debate and an effective decision-making process in which all members are given the opportunity to participate actively.	X		
3.5.3. The Committee <b>recommends</b> that at least once every year the board of directors evaluate the work and performance of the executive board in accordance with predefined clear criteria.	X		
3.5.4. The Committee <b>recommends</b> that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalized 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.	X		
<b>4. Remuneration of management</b>			
<i>4.1. Form and content of the remuneration policy</i>			
4.1.1. The Committee <b>recommends</b> that the board of directors prepare a clear and transparent remuneration policy for the board of directors and the executive board, including	X		

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation
<ul style="list-style-type: none"> <li>• a detailed description of the components of the remuneration for members of the board of directors and the executive board,</li> <li>• the reasons for choosing the individual components of the remuneration, and</li> <li>• a description of the criteria on which the balance between the individual components of the remuneration is based.</li> </ul> <p>The remuneration policy should be approved by the general meeting and published on the company's website.</p>			
<p>4.1.2. The Committee <b>recommends</b> that, if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> <li>• limits be set on the variable components of the total remuneration package,</li> <li>• a reasonable and balanced linkage be ensured between remuneration for governing body members, expected risks and the value creation for shareholders in the short and long terms,</li> <li>• there be clarity about performance criteria and measurability for award of variable components,</li> <li>• there be criteria ensuring that qualifying periods for variable components in remuneration agreements are longer than one calendar year, and</li> <li>• an agreement is made which, in exceptional cases, entitles the company to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be misstated.</li> </ul>	X		

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation
4.1.3. The Committee <b>recommends</b> that remuneration of members of the board of directors does not include share options.		X	<p>Cf. Section 5.1 in the Company's Articles of Association, the Board of Directors is authorized to issue warrants to members of the Board of Directors.</p> <p>The guidelines for incentive programs include warrant programs for the Board of Directors. The Board of Directors was granted warrant programs in May 2012, July 2016 and December 2017.</p> <p>Thus, the Company does not comply with this recommendation. However, the Board of Directors has in this case estimated that a warrant program for the board members, together with the basic level of remuneration reflect the objective of a motivated, lasting and long-term value creation for the Group's shareholders.</p>
4.1.4. The Committee <b>recommends that</b> if share-based remuneration is provided, such programs be established as roll-over programs, i.e. the options are granted periodically and should have a maturity of at least three years from the date of allocation.	X		
4.1.5. The Committee <b>recommends that</b> agreements on termination payments should not amount to more than two years' annual remuneration.	X		
<i>4.2. Disclosure of the remuneration policy</i>			
4.2.1. The Committee <b>recommends</b> 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.		X	The remuneration of the entire Board of Directors and Executive Board for the previous year and for a comparative year is stated in note 5 of the Annual Report 2017. The General Meeting approves the Annual Report, and thereby also the remuneration of the Board of Directors for the previous year. In this way, the annual general meeting can

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation
			<p>determine whether the remuneration is reasonable. Unless special conditions apply, the Chairman of the Board will not elaborate on the guidelines for incentive programs in his report to the annual general meeting.</p> <p>The guidelines for incentive programs were adopted at the annual general meeting in 2016.</p>
<p>4.2.2. The Committee <b>recommends</b> that the proposed remuneration for the board of directors for the current financial year be approved by the shareholders at the general meeting.</p>		X	<p>The remuneration of the entire Board of Directors for the previous year and for a comparative year is stated in note 5 of the Annual Report 2017. In this way, the annual general meeting can determine whether the remuneration is reasonable.</p> <p>The Board of Directors' basic remuneration is set at a level that conforms to the market and which reflects the requirements to the members' competences and efforts seen in the light of the group's complexity, the scope of the work and the number of meetings.</p> <p>Unless proposals for significant changes in the remuneration of the Board apply, the Chairman of the Board will not mention remuneration to the Board for the current financial year in his report to the annual general meeting.</p>
<p>4.2.3. The Committee <b>recommends</b> that the total remuneration granted to each member of the board of directors and the executive board by the company and other companies in the group, including information on the most important contents of retention and retirement/resignation schemes, be disclosed in the annual report and that the linkage with the remuneration policy be explained.</p>		X	<p>Company finds that there is no useful or fair reason to publish information about remuneration to individuals. For this reason the Company has not adopted the recommendation to provide information at an individual level.</p>

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation
<b>5. Financial reporting, risk management and audits</b>			
<i>5.1. Identification of risks and transparency about other relevant information</i>			
5.1.1. The Committee <b>recommends</b> that the board of directors in the management commentary review and 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.	X		
<i>5.2. Whistleblower scheme</i>			
5.2.1. The Committee <b>recommends</b> that the board of directors decide whether to establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.	X		
<i>5.3. Contact to auditor</i>			
5.3.1. The Committee <b>recommends</b> that the board of directors ensure regular dialogue and exchange of information between the auditor and the board of directors, including that the board of directors and the audit committee at least once a year meet with the auditor without the executive board present. This also applies to the internal auditor, if any.	X		

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation
5.3.2. The Committee <b>recommends</b> that the audit agreement and auditors' fee be agreed between the board of directors and the auditor on the basis of a recommendation from the audit committee.	X		