



BAVARIAN NORDIC

Statutory Annual Corporate Governance Report for 2017, cf. Section 107b of the Danish Financial Statements Act

Corporate Governance

This Statutory Corporate Governance Report forms part of the management's review in the Annual Report for 2017, covering the period 1 January - 31 December 2017 and is prepared pursuant to Article 107b of the Danish Financial Statements Act.

The report is based on the recommendations of the Committee on Corporate Governance (Komitéen for god selskabsledelse) and should be interpreted in accordance with the rules for companies listed on Nasdaq Copenhagen.

The recommendations are found at:
<https://corporategovernance.dk/recommendations-corporate-governance>

Management of Bavarian Nordic

Bavarian Nordic is managed in a two-tier structure composed of the Board of Directors ("the Board") and the Corporate Management. The Board is responsible for the overall strategic management and the financial and managerial supervision of Bavarian Nordic, as well as for regular evaluation of the work of the Corporate Management. In addition, the Board supervises the Company in a general sense and ensures that it is managed in an adequate manner and in accordance with applicable law and the Company's articles of association.

The Corporate Management is appointed by the Board, which lays down their terms and conditions of employment and the framework for their duties. The Corporate Management is responsible for the day-to-day management of Bavarian Nordic in compliance with the guidelines and directions issued by the Board. The day-to-day operations do not include transactions of an unusual nature or of material importance to the affairs of Bavarian Nordic. As of December 31, 2017, the Corporate Management consisted of Paul Chaplin, President and CEO of the Company and Ole Larsen, Executive Vice President & CFO of the Company.

The work and composition of the Board

The Board consists of seven external members elected by the shareholders at the annual general meeting for terms of one year; retiring members are eligible for re-election. The Board elects a chairman from among its members. Currently the Board has no employee-elected members as there has been no such request from the employees. The Board discharges its duties in accordance with the rules of procedure of the Board, which are reviewed and updated by all members of the Board. In 2017, the Board held thirteen meetings, of which seven were conference calls.

The following members were elected to the Board at the annual general meeting in 2017:

- Gerard van Odijk (Chairman)
- Anders Gersel Pedersen (Deputy chairman)
- Claus Bræstrup
- Peter Kürstein
- Erik G. Hansen
- Frank Verwiël
- Elizabeth McKee Anderson

Board Committees

To support the Board in its duties, the Board has established and appointed a *Finance, Risk and Audit Committee* and a *Nomination and Compensation Committee*. These committees are charged with reviewing issues pertaining to their respective fields that are due to be considered at board meetings. Written charters specifying the tasks and responsibilities for each of the committees are available on the Company's website www.bavarian-nordic.com.

Finance, Risk and Audit Committee

The Board has elected the following members to the Finance, Risk and Audit Committee:

- Erik G. Hansen (Chairman)
- Anders Gersel Pedersen
- Frank Verwiël

In 2017, the committee held six meetings, including one conference call and dealt with the following main matters:

- Reviewed and proposed to the Board the annual report 2016 & CSR report 2016 to be approved
- Reviewed and proposed to the Board the quarterly statements for Q1, Q2 and Q3 of 2017 to be approved
- Reviewed and proposed to the Board the auditors' book and the audit plan to be approved
- Monitored and controlled the auditors' independence, objectivity and competence

- Reviewed and proposed to the Board the election of auditors at the next AGM
- Monitored and reported to the Board about significant accounting policies; significant accounting estimates; related party transactions; and uncertainties and risks, including in relation to the outlook for the current year
- Monitored and reported to the Board about capital resources and structure
- Discussed audit legislation and key issues with the auditors
- Monitored the internal currency, investment, counterpart and financing policies
- Reviewed and assessed the reports on the internal control and risk management systems
- Monitored the Company's internal control and risk management culture
- Met with the auditors without the CFO or other members of the Executive Management
- Assessed the need of an internal control function
- Reviewed and approved the SOX-project to be continued at a slower pace
- Reviewed and proposed to the Board the procedures of the committee to be approved
- Made an evaluation of the committee
- Updated the annual wheel for activities in the committee
- Reviewed and approved extra work to be carried out by the Auditors in connection with the filing of the Advanced Pricing Agreement to the U.S. and Danish Tax Authorities

Nomination and Compensation Committee

The Board has elected the following members to the Nomination and Compensation Committee:

- Gerard van Odijk (Chairman)
- Claus Bræstrup
- Peter Kürstein

In 2017, the committee held nine meetings, including six conference calls and dealt with the following main matters:

- Reviewed and proposed to the Board the remuneration levels for 2017 for the Board and its sub-committees to be approved by the Annual General Meeting
- Reviewed the remuneration levels for 2017 for the Executive Management
- Reviewed the short and long term incentive programmes for the Executive Management and other members of the senior management and recommended to the Board the structure of the programmes for 2017
- Performed a Board and Executive Management assessment process
- Performed a Board and Executive Management composition review, including desired competences and qualifications required by the Board and Executive Management and an assessment of their combined competences

- Discussed long term succession planning for the Board, including the future composition of the Board

Remuneration of the Board

Members of the Board receive a fee, which has been fixed according to the standards in the market and reflect demands to their competencies and efforts in light of the scope of their work and the number of board meetings. The fee is approved annually at the Company's general meeting based on a proposal from the Board. The chairman's fee is 2.5 times and the deputy chairman's fee is 1.5 times the fee of the ordinary board members' fee. Members of the Board are furthermore awarded restricted stock units (RSUs) in accordance with the guidelines for incentive-based remuneration of the Board of Directors and Executive Management as approved at the annual general meeting.

The Board members' expenses for transportation and housing etc. in connection with board meetings are reimbursed.

In addition, the members of the board committees receive an additional fixed fee. The chairman of the committees' fee is 1.5 times the fee of the ordinary board committee members.

For detailed information on fees to the Board, see note 8 in the consolidated financial statements in the annual report.

Risk Management

Risk management is an integrated part of Bavarian Nordic's operations. The Company is identifying material risks that could affect work, future performance or goals, or the interests of the shareholders with the purpose and intention of running the Company in accordance with best practice in the Company's area of business.

During the growth and development of the Company focus on risk management has also increased. In 2017 a new process and tool to further consolidate the operational risk assessment was implemented. As a consequence we have listed the most significant risks in the Company separately under Risk Factors below.

All relevant units in the Company participate in the identification and assessment of operational risk factors in order to address them properly. Risk Management is on the agenda at all Finance, Risk & Audit Committee meetings. The Board of Directors regularly receives reports on these initiatives, which then form part of the Board's overall assessment and decisions about the Company's activities and future.

In 2017, the Company continued its work on securing the robustness and independence in production and thereby decreased the risk of contamination of manufacturing bulk drug substance.

In July the partnership with Janssen was expanded with an additional worldwide license and collaboration agreement on our MVA-BN technology for vaccines against HBV and HIV. The agreement included amongst other an upfront payment of USD 10 million as well as an USD 33 million equity investment by subscription of new Bavarian Nordic shares. This addition to the Bavarian Nordic cash preparedness enables the Company to continue the development of its pipeline.

In September 2017 the Company was awarded a contract from the U.S. Government on freeze-dried IMVAMUNE. The contract valued at up to USD 539 million, includes an additional bulk supply order of USD 100 million. The contract also includes an option for filling and freeze-drying of the bulk vaccine from this contract and the previously awarded bulk supply orders. In order to ensure the production capacity to secure the future U.S. stockpile of IMVAMUNE, Bavarian Nordic will invest approximately USD 75 million in the construction of a fill/finish manufacturing facility in Denmark. The filling line is expected to be operational in 2021.

The primary risk to the revenue in 2017 was related to the production and storage of IMVAMUNE bulk to the U.S. Government and thus an important point of focus. The number of IMVAMUNE bulk batches for the U.S. Government will further increase with continued production in 2018 and 2019. With the completion of the new storage facility at the Kvistgaard site in the first quarter of 2017 the Company has secured storage capacity also for the U.S. Government contract award in September 2017.

The primary risks in 2018 relate to the final read out of the Phase 3 trial of IMVAMUNE, data from the Phase 2 booster trial of MVA-BN RSV as well as the Human Challenge Trial of MVA-BN-RSV, recruitment of patients for the Phase 2 trials of CV301 and Brachyury, production and storage of bulk drug substance of IMVAMUNE to U.S. Government, production of clinical trial material for our various studies and initiation of the construction of the fill/finish manufacturing facility in Denmark.

Risk factors

Expectations and assumptions in the annual report concerning the Company's business - the market for vaccines against smallpox, Ebola, RSV, other infectious diseases and for treatment of cancer - and the Company's revenue, accounting results and expected market share are subject to substantial uncertainty.

There is no guarantee that the Company will wholly or partly achieve its expectations for revenue or the profit/loss for the year. The most significant operational risks as identified through the operational risk assessment program are:

- Submission and approval of Biologics License Application (BLA) for IMVAMUNE liquid-frozen
- Construction of the new fill/finish manufacturing facility in Kvistgaard
- Warning letter from FDA and/or failed GMP inspections
- Cyber attacks
- The Human Challenge Model for RSV
- The design of the Phase 3 trial for RSV
- Supply of raw materials
- Damage to the facility
- Breakdown of critical equipment

Other short-to-medium-term uncertainties include but are not limited to the following:

- Securing new IMVAMUNE delivery contracts with the U.S. Government
- Securing IMVAMUNE contracts with other governments
- Maintaining a high efficiency and quality in the production of IMVAMUNE
- Performance and dependence of the Company's subcontractors and most significantly CMOs and CROs
- Collaborative agreements
- Duration and outcome of review processes by various authorities
- Protection of patents and other intellectual property rights
- Clinical development and data from late-stage pipeline projects Risks relating to the Company's technologies, projects and products
- The ability to attract and retain key personnel

- Changes in the U.S. dollar exchange rate and how it affects the free liquidity, future revenue and net finances
- Changes in the interest rates and how it affects net finances and the free liquidity
- Tax risks
- Risks related to IT in general All staff are performing according to the Company's Standard Operational Procedures and Policies and the Code of Conduct in order to reduce risk for production and delivery failures as well as fraud and other losses

The Company's risks further include the ability to enter into collaborations with partners for development, manufacturing, marketing and financial resources. There are additional risks related to sales contracts and the related production and logistics.

Currency risks include the risk arising from sales and production contracts being denominated in currencies other than Danish kroner. Contracts are primarily in U.S. dollars, meaning that other currencies do not represent significant currency risks. The exposure from fluctuations in the U.S. dollar is increased because a significant part of the exposure relates to an internal U.S. dollar denominated loan between the U.S. subsidiary and the parent company in Denmark. This internal loan is not hedged.

Liquidity can be influenced by changes in the USD/DKK exchange rate. Profit or loss from the currency contracts can be settled when the contracts are due for extension. As long as the DKK is linked to the EUR the Company's revenue and costs in EUR will not be hedged.

The Company has a strong intellectual property position. However, due to the complex legal issues in this area, there can be no assurance that the Company can successfully defend the validity of its patents or oppose infringement claims.

Delays or intervention by the authorities in current or future clinical trials could also have a substantial impact on the Company's operations and financial position.

Internal Control

Financial reporting process

The Board of Directors and the Management of Bavarian Nordic are responsible for the Group's control and risk management in connection with the financial reporting process, including compliance with rules and regulations that are relevant in reporting.

The Board has established a Finance, Risk and Audit Committee which reviews and discusses the accounting and audit practices with the Company's auditors elected at the Annual General Meeting and the Corporate Management in accordance with the working framework of the committee.

Bavarian Nordic's main focus is to ensure that its financial statements are in compliance and give a correct and reliable view of the Company's operations and financial position.

Input to a written monthly management report is prepared by each line of business containing explanations for deviations in the central business areas within the Group. The inputs are combined into one group report that is distributed to the Corporate Management monthly. The Board of Directors receives a monthly executive summary of the Group's performance.

The interim financial reports are prepared by group finance and discussed with the auditors.

The annual audit and reporting process includes detailed planning of individual tasks and planning meetings between investor relations (IR), group finance and the

auditors, and it is based on an audit strategy approved by the Finance, Risk and Audit Committee.

Internal controls

Bavarian Nordic has policies and procedures for key areas of financial reporting as well as work plans for the month-end closing process, ensuring an in-depth analysis of deviations between actual performance, business plans and budgets, and updated estimates for the financial year. The monthly closing procedures also ensure that all relevant reconciliations are prepared and reviewed and that records coding is in accordance with the requirements and guidelines that the U.S. authorities have in relation to reimbursement of project costs. The accounting and controller functions are responsible for the monthly closing process and reporting to corporate finance.

Financial planning, follow-up and reporting is supported by a group reporting system that shows actual and budgeted financial figures down to the department and account level. All budget holders have access to the group reporting system, which is updated daily with direct links to the Group's ERP system.

In 2016 the Group started working on fulfilling the requirements of the Sarbanes-Oxley Act (SOX). During 2017 the focus has been on describing the risks and the controls to mitigate the risks by preparing control and risk matrixes for all main accounting processes.

Risk assessment

At least once a year, the Finance, Risk and Audit Committee on behalf of the Board of Directors evaluates the risks connected with the financial reporting process, including the presence of internal controls and guidelines. The Finance, Risk and Audit Committee assesses the Group's organizational structure, including the risk of fraud and the measures to be taken to reduce and/or eliminate such risk. In that regard, any incentive or motive from the Corporate Management to manipulate

earnings or perform any other fraudulent action is discussed. The Group's internal controls and guidelines provide a reasonable but not absolute certainty that unlawful use of assets, loss and/or significant errors or deficiencies in relation to the financial reporting process can be avoided.

The Board of Directors has decided not to institute an internal audit at Bavarian Nordic, based on its assessment that the Company's size and complexity does not necessitate such a function.

Control environment

Information technology and computerized systems are widely used in almost any area at Bavarian Nordic. Several processes are automated and key decisions and actions are taken through electronic interfaces. In the ERP system, a number of user groups have been set up to ensure the required segregation of key functions in the finance department. Incoming invoices are approved electronically, and an approval hierarchy ensures that invoices are approved by the appropriate persons and

according to the proxy rules of the Group. Payment proposals are approved through online banking and always by two staff members jointly.

The business procedures in the IT department ensure that all IT development is according to Good Laboratory Practice (GLP), Good Clinical Practice (GCP) and Good Manufacturing Practice (GMP). There are effective procedures for identifying, monitoring and reporting IT risks and security measures set up to respond to emerging events..

The Corporate Governance Recommendations

The Management believes that the Bavarian Nordic is operated in compliance with guidelines and recommendations that support the Company's business model and can create value for the Company's stakeholders. Regularly and at least once a year, the Management monitors adherence to the

recommendations on corporate governance in order to ensure the best possible utilization of and compliance with the recommendations and legislation.

To the extent possible, the recommendations have been incorporated in the Company's annual report and/or website.






The following table indicates the level of compliance with the 47 recommendations of the Committee on Corporate Governance. As set forth in the recommendations, the Company has provided explanations if recommendations are not fully complied with.

Bavarian Nordic complies *Bavarian Nordic partially complies* *Bavarian Nordic does not comply*

Recommendation	Compliance	Commentary
1. Communication and interaction by the company with its investors and other stakeholders		
<i>1.1. Dialogue between company, shareholders and other stakeholders</i>		
1.1.1. The Committee recommends 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.	<input checked="" type="checkbox"/>	
1.1.2. The Committee recommends 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.	<input checked="" type="checkbox"/>	
1.1.3. The Committee recommends that the company publish quarterly reports	<input checked="" type="checkbox"/>	
<i>1.2. General Meeting</i>		
1.2.1. The Committee recommends that when organizing the company's general meeting, the board of directors plans the meeting to support active ownership.	<input checked="" type="checkbox"/>	
1.2.2. The Committee recommends that proxies granted for the general meeting allow shareholders to consider each individual item on the agenda.	<input checked="" type="checkbox"/>	
<i>1.3. Takeover bids</i>		
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. 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	<input checked="" type="checkbox"/>	

Recommendation	Compliance	Commentary
<p>making decisions which in reality prevent the shareholders from deciding on the takeover bid themselves.</p>		
<p>2. Tasks and responsibilities of the board of directors</p>		
<p><i>2.1. Overall tasks and responsibilities</i></p>		
<p>2.1.1. The Committee recommends 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.</p>	<p>☑</p>	
<p>2.1.2. The Committee recommends 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.</p>	<p>☑</p>	
<p>2.1.3. The Committee recommends 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.</p>	<p>☑</p>	
<p>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 on timely, accurate and adequate reporting to the board of directors.</p>	<p>☑</p>	
<p>2.1.5. The Committee recommends 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.</p>	<p>☑</p>	
<p>2.1.6. The Committee recommends 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</p>	<p>☑</p>	<p><i>Bavarian Nordic supports a diverse, accommodating and non-discriminatory working environment. The Company does not however measure diversity by other parameters than gender in all management levels, where an equal representation by men and women was maintained again in 2017 with 51% and 49% respectively.</i></p> <p><i>The Board of Directors discusses annually the Company's activities to ensure the best competencies on all managerial levels. Managers are appointed merely based on their merits and not their nationality, age, gender etc., thus providing equal opportunities for all candidates that possess the required professional skills.</i></p> <p><i>For more information on the composition of employees, diversity and company policies, reference is made to Bavarian Nordic's Statutory Report on Corporate Social Responsibility for the Financial Year 2017: http://www.bavarian-nordic.com/csr</i></p>

Recommendation	Compliance	Commentary
2.2. Corporate social responsibility		
2.2.1. The Committee recommends that the board of directors adopt policies on corporate social responsibility.	☑	
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.	☑	
2.3.2. The Committee recommends 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.	☑	
3. Composition and organization of the board of directors		
3.1. Composition		
3.1.1. The Committee recommends that the board of directors annually accounts for <ul style="list-style-type: none"> • the skills it must have to best perform its tasks, • the composition of the board of directors, and • the special skills of each member. 	☑	
3.1.2. The Committee recommends 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.	☑	
3.1.3. The Committee recommends that a description of the nominated candidates' qualifications, including information about the candidates' <ul style="list-style-type: none"> • 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. • demanding organizational tasks, and information about whether candidates to the board of directors are considered independent. 	☑	

Recommendation	Compliance	Commentary
3.1.4. The Committee recommends that the company's articles of association stipulate a retirement age for members of the board of directors.		<i>The Company has not fixed an age limit for members of its Board of Directors. The members of the Board are elected by the Company's shareholders, and re-election by the shareholders confirms the confidence in the individual board members, irrespective of their age. This issue is evaluated annually as part of the overall assessment of the work of the Board and the Corporate Management.</i>
3.1.5. 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.		
<i>3.2. Independence of the board of directors</i>		
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: <ul style="list-style-type: none"> • 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, • within the past five years, have received larger emoluments from the company/group, • a subsidiary undertaking or an associate in another capacity than as member of the • board of directors, • represent the interests of a controlling shareholder, • 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. • be or within the past three years have been employed or partner at the external auditor, • have been chief executive in a company holding cross-memberships with the company, • have been member of the board of directors for more than 12 years, or • have been close relatives with persons who are not considered independent. 		
<i>3.3. Members of the board of directors and the number of other executive functions</i>		
3.3.1. The Committee recommends 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.		
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 relevant person,
- whether the member is considered independent,
- the date of appointment to the board of directors of the member,
- expiry of the current election period,
- other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises and
- demanding organizational tasks, and
- 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.

3.4. Board 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 on which members are independent members and which members have special qualifications.



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 board of directors set up a formal audit committee composed such that

- the chairman of the board of directors is not chairman of the audit committee, and
- 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.



3.4.4. The Committee **recommends** 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:

- 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, and in such case, makes recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, and
- monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function.



3.4.6. The Committee **recommends** 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:

- 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,
- 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,
- annually assess the competences, knowledge and experience of the individual members of management, and report to the board of directors in this respect,
- 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
- propose an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.



3.4.7. The Committee **recommends** that the board of directors establish a remuneration committee with at least the following preparatory tasks:

- 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,
- 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
- recommend a remuneration policy applicable for the company in general.



Recommendation	Compliance	Commentary
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.	☑	
<i>3.5. Evaluation of the performance of the board of directors and the executive board</i>		
3.5.1. The Committee recommends 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. Significant changes deriving from the evaluation should be included in the management commentary or on the company's website.	☑	
3.5.2. The Committee recommends 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.	☑	
3.5.3. The Committee recommends 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.	☑	
3.5.4. 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 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.	☑	
4. Remuneration of management		
<i>4.1. Form and content of the remuneration policy</i>		
4.1.1. The Committee recommends that the board of directors prepare a clear and transparent remuneration policy for the board of directors and the executive board, including <ul style="list-style-type: none"> • 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, and • a description of the criteria on which the balance between the individual components of the remuneration is based. The remuneration policy should be approved by the general meeting and published on the company's website.	☑	
4.1.2. The Committee recommends that, if the remuneration policy includes variable components, <ul style="list-style-type: none"> • limits be set on the variable components of the total remuneration 	☑	<i>The remuneration policy includes variable components which meet the criteria set forth in the recommendation, with the exception of item 5 as no reclaim clauses exist in contracts for members of Corporate Management.</i>

Recommendation	Compliance	Commentary
<ul style="list-style-type: none"> package, • 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, • there be clarity about performance criteria and measurability for award of variable components, • there be criteria ensuring that qualifying periods for variable components in remuneration agreements are longer than one calendar year, and • 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. 		
4.1.3. The Committee recommends that remuneration of members of the board of directors does not include share options.	☑	
4.1.4. The Committee recommends that if share-based remuneration is provided, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should have a maturity of at least three years from the date of allocation.	☑	
4.1.5. The Committee recommends that agreements on termination payments should not amount to more than two years' annual remuneration.	☑	
4.2. Disclosure of the remuneration policy		
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.	☑	
4.2.2. The Committee recommends that the proposed remuneration for the board of directors for the current financial year be approved by the shareholders at the general meeting.	☑	
4.2.3. The Committee recommends 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.	☑	
5. Financial reporting, risk management and audits		
5.1. Identification of risks and transparency about other relevant information		
5.1.1. The Committee recommends 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	☑	

Recommendation	Compliance	Commentary
well as for the company's risk management.		
<i>5.2. Whistleblower scheme</i>		
5.2.1. The Committee recommends that the board of directors decide whether to establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.	☑	
<i>5.3. Contact to auditor</i>		
5.3.1. The Committee recommends 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.	☑	
5.3.2. The Committee recommends 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.	☑	