

CORPORATE  
GOVERNANCE STATEMENT

FOR THE FINANCIAL YEAR 2018

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TABLE OF CONTENTS

INTRODUCTION ..... 3

RECOMMENDATIONS AND PRACTICE ..... 3

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT ..... 3

BOARD ACTIVITIES IN 2018..... 3

BOARD SELF-EVALUATION ..... 5

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS ..... 5

APPENDIX 1: CORPORATE GOVERNANCE STATEMENT ..... 8

**Corporate Governance Statement for the financial year 2018, cf. Section 107 b of the Danish Financial Statements Act**

This Statement forms part of Management's review in the Pandora Annual Report covering the period 1 January – 31 December 2018 and is prepared pursuant to section 107 b of the Danish Financial Statements Act.

As required for a listed company on Nasdaq Copenhagen under the rules for issuers of shares, Pandora also issues the below Statement of compliance with the Danish Committee on Corporate Governance's recommendations using the "comply or explain"-principle (Appendix 1). The recommendations have been published at [www.corporategovernance.dk](http://www.corporategovernance.dk). Appendix 1 is not part of the auditor's statement in the Annual Report.

**RECOMMENDATIONS AND PRACTICE**

Pandora's aim regarding good corporate governance is to ensure transparency, accountability, and that the Company meets its obligations to shareholders, customers, consumers, employees, authorities and other key stakeholders to the best of its ability in order to maximise long-term value creation.

Pandora strives to exercise good corporate governance at all times, and Pandora assesses its practices against the Corporate Governance Recommendations of the Danish Committee on Corporate Governance. As a publicly listed company, Pandora is subject to the disclosure requirements in applicable legislation and the regulations of Nasdaq Copenhagen. The Board of Directors remains committed to, and complies with, all the Danish Corporate Governance Recommendations as adopted in November 2017.

**BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT**

Corporate authority is divided between the Board of Directors and Executive Management. These two bodies exist independently of each other as is normal practice in Denmark. The Board is elected at the Annual General Meeting and all Board members are up for election every year. The Executive Management team is appointed by the Board. Executive Management is responsible for day-to-day management; the Board supervises the Executive Management's work and is responsible for Pandora's general and strategic direction. The Board's primary tasks are to ensure that Pandora has a strong management team, optimal organisational and capital structures, efficient business processes, transparent bookkeeping and practices, and responsible asset management. Additionally, the Board oversees Pandora's financial development, related planning and reporting systems as well as internal controls and risk management.

The composition of the Board must be such that, at any time, the consolidated competencies of the Board enable it to supervise Pandora's development and diligently address the specific opportunities and challenges Pandora faces. Together, the Board and Executive Management develop the overall strategy and ensure that the competencies and resources are in place to enable Pandora to achieve its objectives.

**BOARD ACTIVITIES IN 2018**

In 2018, the Board of Directors held 13 Board meetings and its primary focus area was to plan and launch Programme NOW to accelerate strategic transformation, changing the Executive Management and searching for new Board members. In addition, the Board focused on digitalised and conventional brand marketing, product innovation, amplification of full product offerings and leveraging Pandora's manufacturing capabilities to secure continued growth.

The Board has an Audit Committee, a Remuneration Committee and a Nomination Committee – and it appoints members and chairs to these committees. The committees' terms of reference are disclosed on the company's website.

## **The Audit Committee**

The members of the Audit Committee are Birgitta Stymne Göransson (Chair), Christian Frigast and Andrea Dawn Alvey. The Audit Committee reviews and assesses Pandora's financial reporting and audit process and internal control systems, and evaluates the adequacy of control procedures. More specifically, the Audit Committee supervises the following areas:

- The financial reporting process
- Internal control and risk management systems
- The independent audit

In 2018, the Audit Committee met six times. Its main activities were:

- Meetings with Executive Management and independent auditors to review the audited Annual Report
- Meetings with Executive Management to review quarterly financial statements
- Reviewing key accounting principles, significant accounting estimates, key financial risks and compliance with tax regulations
- Monitoring the adequacy and effectiveness of Pandora's internal controls and risk management systems
- Reviewing the company's whistleblowing reporting system and whistleblowing cases
- Recommendations for the appointment of independent auditors, including evaluation of independence, competencies and compensation
- Reviewing updates to the financial reporting structure

## **The Remuneration Committee**

The members of the Remuneration Committee are Peder Tuborgh (Chair), Christian Frigast, Bjørn Gulden and Andrea Dawn Alvey. The main duties of the Remuneration Committee are:

- To prepare recommendations to the Board on the pay and remuneration policy applicable to the Board and Executive Management with respect to fixed and variable pay components
- To submit proposals to the Board for the remuneration packages of individual pay of Board members and Executive Management
- To verify that the information on remuneration in the Annual Report and Remuneration Report is true, accurate and adequate

The Remuneration Committee met three times in 2018. Its main activities were: the annual review of the remuneration policy and guidelines on incentive payments, including giving directions for future remuneration reports; approval of incentive payments for 2017; design and approval of Pandora's Long- and Short-Term Incentive Programmes for 2018; and benchmarking of executive pay.

## **The Nomination Committee**

The members of the Nomination Committee are Christian Frigast (Chair), Peder Tuborgh, Ronica Wang and Per Bank. The Nomination Committee assists the Board in fulfilling its responsibilities with regards to:

- Continuous evaluation of the qualifications and competencies required of members of the Board and Executive Management
- Nomination of candidates for the Board and Executive Management
- Self-evaluation of the Board
- Assessment of the performance of Executive Management and the cooperation between the Board and Executive Management
- Succession planning for top executive positions

In 2018, the Nomination Committee met four times. Its main activities were: an extensive evaluation of the qualifications and competencies of the Board and Executive Management; appointment of a new CFO, Anders Boyer, and a new COO, Jeremy Schwartz, search for a new CEO, the annual self-evaluation and assessment of the cooperation between the Board and Executive Management, as well as assessment of the performance of each member of the Board, including search for new Board members. In December, the Board proposed two new candidates, Isabelle Parize and Sir John Peace, to the Board for election at the Annual General Meeting on 13 March 2019.

### **BOARD SELF-EVALUATION**

The Board conducts an annual self-assessment to constantly improve its performance and its cooperation with the Executive Management. The chairman of the Nomination Committee directs the assessment process, and from 2019 the assessment will be facilitated by external consultants every third year. In 2018, the assessment was carried out by the Board by having each Board member complete an anonymous questionnaire.

The assessment covered topics such as Board composition, nomination process, competencies and overboarding. The assessment also included topics such as the Board's involvement in risk and financial management, control and strategy, and committee work and personal contributions.

Ratings and comments are consolidated and shared with the Board and Executive Management, followed by a Board discussion where improvements are discussed. The chairman also holds one-to-one conversations with each Board member.

The self-assessment conducted in 2018 identified that the Board continues to demonstrate wide experience, broad industry knowledge and backgrounds well suited to Pandora's business and strategy. The Board structure and committee work are effective and well-functioning, including interactions with the Executive Management. The assessment indicated that further competencies within retail and eCommerce would be beneficial in order to continually meet the rapidly-changing consumer landscape and diving deeper into brand execution, digitisation and operational matters. As a result of this, two new Board members have now been proposed.

### **INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS**

Responsibility for Pandora's internal controls and risk management systems in relation to the financial reporting process rests with the Board and Executive Management.

The purpose of Pandora's internal controls and risk management systems in relation to the financial reporting process is to ensure that the financial statements provide a true and fair view, free from material misstatements, and that the internal and external financial statements are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of the Danish Financial Statements Act. While the internal controls and risk management systems are designed and aim to ensure that material misrepresentation of assets, losses and/or significant errors or irregularities and omissions in the financial

reporting are avoided, they provide no absolute assurance that all errors are detected and corrected.

Internal controls and risk management systems are under continuous development and are described below.

**Control environment**

The Board has established an Audit Committee that assists the Board in supervising the financial reporting processes and the efficiency of Pandora's internal controls and risk management systems. The Audit Committee reviews significant risks related to Pandora's business, activities and operations as well as risks related to financial reporting. The Audit Committee seeks to ensure that such risks are managed proactively, efficiently and systematically.

Executive Management is responsible for maintaining controls and an effective risk management system and ensuring necessary steps are taken to address the risks identified in relation to financial reporting.

In 2016, a Governance, Risk and Compliance (GRC) function was established. The GRC function helps Pandora accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of internal controls, risk management, compliance and governance processes. The GRC function assists Pandora's Executive Management and the Audit Committee in identifying, avoiding and mitigating risks.

The composition of the Board, the Audit Committee and Executive Management together with the GRC function ensure the availability of relevant competencies with respect to internal controls and risk management systems in relation to the financial reporting process.

**Risk assessment**

The Board and Executive Management assess risks on an ongoing basis, including risks related to financial reporting, and assess measures to manage, reduce or eliminate identified risks. The Audit Committee reviews certain high-risk areas quarterly, including significant accounting estimates and material changes to accounting policies.

At least once a year, the Audit Committee oversees a review of current internal controls to determine whether they are effective in relation to the risks identified in the financial reporting process.

**Control activities**

Pandora operates a global Finance Forum that meets regularly throughout the year. This forum sets the finance strategy for the Group and discusses the latest developments in relation to significant accounting matters and best practice regarding internal controls.

The Corporate Finance function reports to the Chief Financial Officer. Controlling functions within the Corporate Finance function are responsible for controlling the financial reporting from the Parent Company and its subsidiaries, and monitoring compliance with relevant legislation on an ongoing basis.

The Group has adopted and defined an internal control framework that identifies key processes, inherent risks and control procedures in order to secure appropriate accounting processes. The control procedures include a variety of processes in order to prevent any misrepresentation, significant errors, omissions or fraudulent behaviour. The control procedures are tested on an ongoing basis and reported to the Audit Committee.

**Information and communication**

The GRC function is present at all Audit Committee meetings and provides regular status updates to the committee. Furthermore, the head of GRC has regular meetings with the Chief Financial Officer. This setup ensures transparency and that communication is shared with the Audit Committee on a timely basis. The Board has adopted an Investor Relations policy that requires that all communication to stakeholders, including financial reporting, must be conducted adequately, timely and openly – both internally and externally – and must be conducted factually and truthfully and in compliance with legislation and applicable regulations.

**Monitoring**

Pandora’s internal controls and risk management systems are continuously monitored, tested, documented and subject to quality control. The Audit Committee monitors the internal controls and risk management process to ensure that any weaknesses are eliminated and that any errors in the financial statements that are identified and reported by the auditors are corrected, including controls or procedures implemented to prevent such errors.

Pandora’s independent auditors are appointed for a term of one year at the Annual General Meeting following recommendation from the Board. Prior to recommendation, the Board assesses, in consultation with Executive Management, the independence, competencies and other matters pertaining to the auditors. The framework for the auditors’ duties, including their remuneration, audit and non-audit services, is agreed annually between the Board and the auditors following recommendation from the Audit Committee.

Appendix 1: Corporate Governance Statement

| Recommendation  | The company complies | The company complies partially | The company does not comply | The explanation for complying partially/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, 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. | ✓                    |                                |                             |   |
| 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 that the board of directors ensure that the interests of the stakeholders are respected in accordance with company policies.   | ✓                    |                                |                             |   |
| 1.1.3. The Committee <b>recommends</b> that the company publish quarterly reports   | ✓                    |                                |                             |   |
| <i>1.2. General meeting</i>   |                      |                                |                             |   |
| 1.2.1. The Committee <b>recommends</b> that in organizing the company’s general meeting, the board of directors plans the meeting to support active ownership.  | ✓                    |                                |                             |   |
| 1.2.2. The Committee <b>recommends</b> that proxies or votes by post for the general meeting allow shareholders to consider each individual item on the agenda.   | ✓                    |                                |                             |   |



| Recommendation   | The company complies | The company complies partially | The company does not comply | The explanation for complying partially/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. 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. | ✓                    |                                |                             |   |
| <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 annually the board of directors consider the matters that should be included in the board's performance of its work.   | ✓                    |                                |                             |   |
| 2.1.2. The Committee <b>recommends</b> 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.  | ✓                    |                                |                             |   |
| 2.1.3. The Committee <b>recommends</b> 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.   | ✓                    |                                |                             |   |
| 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's reporting to the board of directors.  | ✓                    |                                |                             |   |

| Recommendation   | The company complies | The company complies partially | The company does not comply | The explanation for complying partially/not complying with the recommendation |
|--|----------------------|--------------------------------|-----------------------------|---|
| 2.1.5. The Committee <b>recommends</b> that at least once annually, the board of directors discuss the composition, developments, risks and succession plans of the executive board.   | ✓                    |                                |                             |   |
| <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.  | ✓                    |                                |                             |   |
| <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.  | ✓                    |                                |                             |   |
| 2.3.2. The Committee <b>recommends</b> 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. | ✓                    |                                |                             |   |
| <b>3. Composition and organization of the board of directors</b>   |                      |                                |                             |   |
| <i>3.1. Composition</i>  |                      |                                |                             |   |

| Recommendation   | The company complies | The company complies partially | The company does not comply | The explanation for complying partially/not complying with the recommendation |
|--|----------------------|--------------------------------|-----------------------------|---|
| <p>3.1.1. The Committee <b>recommends</b> that the board of directors annually evaluate and in the management commentary account for</p> <ul style="list-style-type: none"> <li>the competencies that it must have to best perform its tasks,</li> <li>the composition of the board of directors, and</li> <li>the special competencies of each member.</li> </ul>   | ✓                    |                                |                             |   |
| <p>3.1.2. The Committee <b>recommends</b> 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.</p>  | ✓                    |                                |                             |   |
| <p>3.1.3. The Committee <b>recommends</b> 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.</p>  | ✓                    |                                |                             |   |
| <p>3.1.4. The Committee <b>recommends</b> 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 nominated candidates, including information about the candidates'</p> <ul style="list-style-type: none"> <li>other executive functions, including positions on executive boards, boards of directors and supervisory boards, including board committees, in Danish and foreign enterprises, and</li> <li>demanding organizational tasks.</li> </ul> <p>Furthermore, it should be indicated if the candidates to the board of directors are considered independent.</p> | ✓                    |                                |                             |   |

| Recommendation   | The company complies | The company complies partially | The company does not comply | The explanation for complying partially/not complying with the recommendation |
|--|----------------------|--------------------------------|-----------------------------|---|
| 3.1.5. The Committee <b>recommends</b> 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.  | ✓                    |                                |                             |   |
| 3.1.6. 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.  | ✓                    |                                |                             |   |
| <i>3.2. Independence of the board of directors</i>   |                      |                                |                             |   |
| <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.</p> <p>To be considered independent, this person may not:</p> <ul style="list-style-type: none"> <li>• 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,</li> <li>• within the last five years, have received significant remuneration from the company/group, a subsidiary or an associated company in a different capacity than as member of the board of directors,</li> <li>• represent or be associated with a controlling shareholder,</li> <li>• 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.</li> <li>• 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,</li> <li>• be part of the executive management in a company with cross-management representation in the company,</li> <li>• have been a member of the board of directors for more than 12 years, or</li> </ul> | ✓                    |                                |                             |   |

| Recommendation   | The company complies | The company complies partially | The company does not comply | The explanation for complying partially/not complying with the recommendation |
|--|----------------------|--------------------------------|-----------------------------|---|
| <ul style="list-style-type: none"> <li>be a close relative with persons who are not considered independent.</li> </ul> <p>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.</p>  |                      |                                |                             |   |
| <i>3.3. Members of the board of directors and the number of other management functions</i>   |                      |                                |                             |   |
| 3.3.1. The Committee <b>recommends</b> 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.   | ✓                    |                                |                             |   |
| 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: <ul style="list-style-type: none"> <li>the position of the relevant person,</li> <li>the age and gender of the person in question,</li> <li>the person's competencies and qualifications that are relevant to the company</li> <li>whether the member is considered independent,</li> <li>the member's date of appointment to the board of directors,</li> <li>expiry of the current election term,</li> <li>the member's participation in the meetings on the board of directors and committee meetings,</li> <li>other management functions, including memberships in executive boards, boards of directors, and supervisory boards, including board committees in Danish and foreign enterprises and demanding organizational tasks, and</li> <li>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.</li> </ul> | ✓                    |                                |                             |   |

| Recommendation   | The company complies | The company complies partially | The company does not comply | The explanation for complying partially/not complying with the recommendation |
|--|----------------------|--------------------------------|-----------------------------|---|
| 3.3.3. The Committee <b>recommends</b> 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.  | ✓                    |                                |                             |   |
| <i>3.4. Board committees</i>   |                      |                                |                             |   |
| 3.4.1. The Committee <b>recommends</b> that the company publish the following on the company's website: <ul style="list-style-type: none"> <li>• the terms of reference of the board committees,</li> <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 regarding which members are independent members and which members have special competencies.</li> </ul> | ✓                    |                                |                             |   |
| 3.4.2. The Committee <b>recommends</b> that a majority of the members of a board committee be independent.   | ✓                    |                                |                             |   |
| 3.4.3. The Committee <b>recommends</b> that the members of the board of directors set up an <u>audit committee</u> and that a chairman is appointed who is not the chairman of the board of directors.   | ✓                    |                                |                             |   |
| 3.4.4. The Committee <b>recommends</b> 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: <ul style="list-style-type: none"> <li>• significant accounting policies,</li> </ul>  | ✓                    |                                |                             |   |

| Recommendation  | The company complies | The company complies partially | The company does not comply | The explanation for complying partially/not complying with the recommendation |
|---|----------------------|--------------------------------|-----------------------------|---|
| <ul style="list-style-type: none"> <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>   |                      |                                |                             |   |
| <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 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,</li> <li>ensure that if an internal audit has been established, a description of its functions is available and approved by the board of directors,</li> <li>ensure that if an internal audit has been established, adequate resources and competencies are allocated to carry out the work, and</li> <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 <u>nomination committee</u>, which is at least, responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>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,</li> <li>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,</li> <li>annually assessing the competencies, knowledge, experience and succession of the individual members of management and report to the board of directors in this respect,</li> <li>recommending candidates for the board of directors and the executive board, and</li> </ul> | ✓                    |                                |                             |   |

| Recommendation   | The company complies | The company complies partially | The company does not comply | The explanation for complying partially/not complying with the recommendation |
|--|----------------------|--------------------------------|-----------------------------|---|
| <ul style="list-style-type: none"> <li>proposing an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.</li> </ul>  |                      |                                |                             |   |
| <p>3.4.7. The Committee <b>recommends</b> that the board of directors establish a <u>remuneration committee</u>, which is at least, responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>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,</li> <li>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,</li> <li>recommending a remuneration policy applicable for the company in general and</li> <li>assisting with the preparation of the annual remuneration report.</li> </ul> | ✓                    |                                |                             |   |
| <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>  | ✓                    |                                |                             |   |
| <i>3.5. Evaluation of the performance of the board of directors and the executive board</i>  |                      |                                |                             |   |
| <p>3.5.1. The Committee <b>recommends</b> that the board of directors establish 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:</p> <ul style="list-style-type: none"> <li>contribution and results,</li> <li>cooperation with the executive board,</li> <li>the chairman’s leadership of the board of directors,</li> </ul>  | ✓                    |                                |                             |   |



| Recommendation  | The company complies | The company complies partially | The company does not comply | The explanation for complying partially/not complying with the recommendation |
|---|----------------------|--------------------------------|-----------------------------|---|
| <ul style="list-style-type: none"> <li>the composition of the board of directors (including competencies, diversity and the number of members),</li> <li>the work in the committees and the committee structure, and</li> <li>the organization and quality of the material that is submitted to the board of directors.</li> </ul> <p>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.</p> |                      |                                |                             |   |
| <p>3.5.2. The Committee <b>recommends</b> 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.</p>   | ✓                    |                                |                             |   |
| <p>3.5.3. 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.</p>   | ✓                    |                                |                             |   |
| <h4>4. Remuneration of management</h4>  |                      |                                |                             |   |
| <p>4.1. <i>Form and content of the remuneration policy</i></p>  |                      |                                |                             |   |
| <p>4.1.1. The Committee <b>recommends</b> that the board of directors prepare a remuneration policy for the board of directors and the executive board, which includes</p>  | ✓                    |                                |                             |   |

| Recommendation  | The company complies | The company complies partially | The company does not comply | The explanation for complying partially/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,</li> <li>• a description of the criteria that form the basis for the balance between the individual components of the remuneration, and</li> <li>• an explanation for the correlation between the remuneration policy and the company's long-term value creation and relevant related goals.</li> </ul> <p>The remuneration policy should be approved by the general meeting at least every fourth year and upon any material amendments and it should be 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 composition be ensured between remuneration for members of management and the value creation for shareholders in the short and long term,</li> <li>• clarity be established about performance criteria and measurability for the award of variable components,</li> <li>• 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</li> <li>• 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.</li> </ul> | ✓                    |                                |                             |   |
| <p>4.1.3. The Committee <b>recommends</b> that remuneration of members of the board of directors does not include share options or warrants.</p>  | ✓                    |                                |                             |   |

| Recommendation   | The company complies | The company complies partially | The company does not comply | The explanation for complying partially/not complying with the recommendation |
|--|----------------------|--------------------------------|-----------------------------|---|
| 4.1.4. The Committee <b>recommends</b> 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.  | ✓                    |                                |                             |   |
| 4.1.5. The Committee <b>recommends</b> 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.   | ✓                    |                                |                             |   |
| <i>4.2. Disclosure of remuneration</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.  | ✓                    |                                |                             |   |
| 4.2.2. The Committee <b>recommends</b> 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 <b>recommends</b> 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.<br><br>The remuneration report should be published on the company's website. | ✓                    |                                |                             |   |

| Recommendation  | The company complies | The company complies partially | The company does not comply | The explanation for complying partially/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 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.  | ✓                    |                                |                             |   |
| <i>5.2. Whistleblower scheme</i>  |                      |                                |                             |   |
| 5.2.1. The Committee <b>recommends</b> that the board of directors establish a whistleblower scheme for expedient and confidential notification of serious wrongdoing or suspicions thereof.  | ✓                    |                                |                             |   |
| <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 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 <b>recommends</b> that the audit agreement and auditor's fee be agreed by the board of directors and the auditor elected by the general meeting based on a recommendation from the audit committee.  | ✓                    |                                |                             |   |