

Corporate Governance

In 2005, NASDAQ OMX Copenhagen adopted a set of recommendations on corporate governance. The recommendations were most recently updated in 2017. The recommendations are considered to be in compliance with the OECD's current principles of corporate governance.

According to section 107 b of the Danish Financial Statements Act and the stock exchange rules, in connection with the presentation of the annual report, ALK is required to disclose

the extent to which the company complies with the recommendations, based on the "comply or explain" principle.

The table below provides an account of the extent to which and the way in which ALK complies with the recommendations. In those instances where ALK has chosen a different practice, the rationale for this is explained.

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/ not complying with the recommendation
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 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.	Yes			<p>The Board of Directors has adopted a communication policy and strategy in order to ensure effective communications with the stakeholders – customers, partners, shareholders and employees etc.</p> <p>ALK has a specific IR policy describing the company's relations with investors, analysts and others.</p> <p>ALK webcasts the Board of Management's presentation of the four quarterly reports. The shareholders can also find an updated and suitably detailed picture of ALK and its activities on the website, just as shareholders and other stakeholders are able to sign up for company releases and other information.</p>
1.1.2. The Committee recommends that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders, and that the board of directors ensures that the interests of the shareholders are respected in accordance with company policies.	Yes			See above.
1.1.3. The Committee recommends that the company publish quarterly reports.	Yes			ALK publishes quarterly reports and gives a webcast presentation of these and meets with investors.

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<i>1.2. General meeting</i>				
1.2.1. The Committee recommends that in organising the company's general meeting, the board of directors plans the meeting to support active ownership.	Yes			The Board of Directors encourages all shareholders to attend the annual general meeting. The meeting is announced through ALK's electronic news service with approx. four weeks' notice. The agenda is available on the company's website and the company's shareholder portal and is distributed by e-mail to all shareholders who have so requested. All shareholders have the possibility to put forward in writing specific items to be included in the AGM agenda six weeks before the AGM at the latest.
1.2.2. The Committee recommends that proxies or votes by post for the general meeting allow shareholders to consider each individual item on the agenda.	Yes			The agenda includes a detailed account of the individual items. Proxies are differentiated so that shareholders have the opportunity to state their position on each item on the agenda.
<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. 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.	Yes			ALK has a written procedure governing the role of the Board of Directors in the event of a takeover bid, according to which the Board of Directors will not make any decisions or transactions which, in reality, preclude the shareholders from making a decision.
2. Tasks and responsibilities of the board of directors				
<i>2.1. Overall tasks and responsibilities</i>				
2.1.1. The Committee recommends that at least once a year the board of directors considers the matters that should be included in the board's performance of its work.	Yes			At least once a year, the Board of Directors considers matters related to the Board's performance of its work.
2.1.2. The Committee recommends that at least once a year the board of directors considers the overall strategy of the company with a view to ensuring value creation in the company.	Yes			The Board of Directors considers the company's overall strategy every year and monitors the progress hereof with a view to sustaining value creation in the company.
2.1.3. The Committee recommends that the board of directors ensure that the company has a capital and share structure which supports that the strategy and long-term value creation of the company are in the best interest of the shareholders and the company, and that the board of directors explains this in the management commentary and/or on the company's website.	Yes			The Board of Directors regularly evaluates the capital and share structure, including the strategy and budgets, as well as proposals for allocation of profits. The evaluation is contained in the annual report.

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<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's reporting to the board of directors.</p>	Yes			<p>The tasks and duties of the Board of Management have been laid down in the Board of Directors' rules of procedure, and in instructions that are appendices to the Board of Directors' rules of procedure. Procedures have been agreed for ongoing management reporting and the reporting of risks, audits, etc.</p> <p>Once a year, the Board of Management presents a report on risk management to the Audit Committee and the Board of Directors.</p>
<p>2.1.5. The Committee recommends that at least once a year the board of directors discuss the composition, developments, risks and succession plans of the executive board.</p>	Yes			<p>At least once a year, the Board of Directors evaluates the composition of the Board of Management as well as development, risks and succession plans at an executive session following an ordinary board meeting.</p>
<p><i>2.2. Corporate social responsibility</i></p>				
<p>2.2.1. The Committee recommends that the board of directors adopt policies on corporate social responsibility.</p>	Yes			<p>ALK's CSR policy, adopted by the Board of Directors, is published on the company's website.</p>
<p><i>2.3. Chairman and vice-chairman of the board of directors</i></p>				
<p>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.</p>	Yes			<p>The Board of Directors has a vice chairman who chairs the board meeting in the chairman's absence and acts as sparring partner for the chairman.</p>
<p>2.3.2. The Committee recommends that, if the board of directors, in exceptional cases, asks the chairman of the board of directors or other board members to perform special activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect should be passed to ensure that the board of directors maintains its independent, general management and control function. Resolutions on the chairman's or other board members' participation in day-to-day management and the expected duration hereof should be publically announced.</p>	Yes			<p>The rules of procedure specify that the chairman may not perform other duties for the company that are not a natural part of his duties as chairman of the Board of Directors, apart from ad-hoc tasks which he may be requested to carry out by and for the Board of Directors. The same applies for other board members.</p>

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3. Composition and organization of the board of directors				
<i>3.1. Composition</i>				
<p>3.1.1. The Committee recommends that the board of directors annually evaluate and in the management commentary accounts for</p> <ul style="list-style-type: none"> the competencies that it must have to best perform its tasks, the composition of the board of directors, and the special competencies of each member. 	Yes			<p>The annual report sets out the composition of the Board of Directors, including the members' managerial competences. In connection with the proposal of candidates at the annual general meeting, when all members are up for election, the Board of Directors performs an annual evaluation (see 3.5) and considers the competences of the Board of Directors. Details of the Board of Directors' competences are published on the website. When elected first time, the candidates' competences and background are presented in the notice convening the annual general meeting.</p>
<p>3.1.2. The Committee recommends that once a year the board of directors 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>	Yes			<p>Employment with ALK is based on competences, qualities and results and is offered independent of nationality, social background, gender, religion, age, political standpoint and sexual orientation. The Board of Directors wishes to ensure diversity at the company's management levels and ALK is consequently building up an internal recruitment pool that will ensure a high degree of diversity. ALK's diversity policy is published on the website.</p>
<p>3.1.3. The Committee recommends that the selection and nomination of candidates for the board of directors be carried out through a careful and transparent process approved by the board of directors. When assessing its composition and nominating new candidates, the board of directors should in addition to the need for competencies and qualifications take into consideration the need for integration of new talent and diversity.</p>	Yes			<p>The Nomination Committee constituted by the chairmanship is responsible for selection and nomination of candidates for the Board of Directors. The selection is based on a process which defines the need for new talent, diversity, age and gender. The process is open and transparent and the candidates are approved by the Board of Directors. ALK is committed to having women constitute 30% of the shareholder-elected members of Board of Directors by 2022.</p>
<p>3.1.4. The Committee recommends that the notice convening a general meeting where the agenda includes the election of members to the board of directors, include (in addition to the statutory requirements) a description of the qualifications of the nominated candidates, including information about the candidates'</p> <ul style="list-style-type: none"> other executive functions, including positions in executive boards, boards of directors, and supervisory boards, including board committees in Danish and foreign enterprises, demanding organisational tasks, Furthermore, it should be indicated if the candidates to the board of directors are considered independent. 	Yes			<p>Together with the notice convening the general meeting at which election to the Board of Directors is on the agenda, a description is sent out of the candidates nominated for election with respect to competences, independence and other executive functions and directorships.</p> <p>Information is given in the annual report as to which members are independent of the company. The description of candidates for the Board of Directors includes particulars of whether the candidates are considered independent persons.</p> <p>The company's annual report and website present the executive functions and directorships of all members of the Board of Directors.</p>

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<p>3.1.5. The Committee recommends that members of the company's executive board be not members of the board of directors and that a resigning chief executive officer be not directly elected as chairman or vice chairman for the same company.</p>	Yes			No members of the company's Board of Management are members of the Board of Directors and a resigning CEO will not be offered a seat on the Board of Directors.
<p>3.1.6. The Committee recommends that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.</p>	Yes			The members of the Board of Directors elected by the general meeting are elected for one year at a time.
<p><i>3.2. Independence of the board of directors</i></p>				
<p>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:</p> <ul style="list-style-type: none"> • be or within the past five years have been a member of the executive board, or senior staff member in the company, a subsidiary or an associated company, • within the last five years, have received significant remuneration from the company/group, a subsidiary or an associated company in a different capacity than as member of the board of directors • represent or be associated with a controlling shareholder, • within the past year, have had significant business relations (e.g. personally or indirectly as partner or employee, shareholder, customer, supplier or member of management in companies with corresponding connection) with the company, a subsidiary or an associated company, • be or within the past three years have been employed or been a partner in the same company as the auditor elected by the general meeting, • be part of the executive management in a company with cross-management representation in the company, • have been a member of the board of directors for more than 12 years, or • be a close relative with persons who are not considered independent. <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>			No	Three board members elected by the general meeting (out of a total of five in 2018) are not independent persons. The Board will work towards establishing an adequate balance between independent and dependent directors in 2019, when the number of board members will be re-established at six persons.

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<i>3.3. Members of the board of directors and the number of other management functions</i>				
3.3.1. The Committee recommends that each member of the board of directors assesses 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.	Yes			Each member of the Board of Directors assesses the time commitment necessary for the Board work so that the member only takes on as many functions as can be performed in a way that is satisfactory 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: <ul style="list-style-type: none"> • the position of the relevant person, • the age and gender of the relevant person, • the person's competencies and qualifications that are relevant to the company, • whether the member is considered independent, • the member's date of appointment to the board of directors, • expiry of the current election term, • the member's participation in the meetings of the board of directors and committee meetings, • other management functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in Danish and foreign enterprises and demanding organisational tasks, and • the number of shares, options, warrants and similar owned by the member in the company and other group companies, as well as changes in the member's portfolio of the mentioned securities which have occurred during the financial year. 	Yes			The annual report outlines occupation, other executive functions and shareholdings in ALK of each member of the Board of Directors. The annual report states when each individual member of the Board of Directors joined the Board. The members of the Board of Directors elected by the general meeting are elected for one year at a time. Their participation in the Board meetings and committee meetings is mentioned in the annual report.
3.3.3. The committee recommends that the annual evaluation procedure, cf. section 3.5, includes 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.	Yes			The Board of Directors evaluates each year whether the number of board positions and level of complexity that each board member holds can be considered reasonable.

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<i>3.4. Board committees</i>				
<p>3.4.1. The Committee recommends that the company publishes the following on the company's website:</p> <ul style="list-style-type: none"> the terms of reference of the board committees, the most important activities of the committees during the year, and the number of meetings held by each committee, and the names of the members of each committee, including the chairmen of the committees, as well as information regarding which members are independent members and which members have special competencies. 	Yes			<p>The Board of Directors has appointed an Audit Committee, a Remuneration Committee, a Scientific Committee and a Nomination Committee. The Nomination Committee is constituted by the chairmanship. The members of the committees, including the chairmen of the committees, are presented on the company's website, which also shows which members of the Board of Directors are independent. The activities and numbers of meetings of the committees are presented in the annual report. The charters of the committees are available on the website.</p>
<p>3.4.2. The Committee recommends that a majority of the members of a board committee be independent.</p>			No	<p>In 2018, the majority of members of the Board committees were non-independent members (cf. 3.2.1). ALK did not comply with recommendation 3.4.2 on the grounds that the composition of the Board committees was the best possible option available in terms of experience and capabilities in respect of the board committees concerned.</p>
<p>3.4.3. The Committee recommends that the board of directors sets up among its members an <u>audit committee</u> and that a chairman is appointed who is not the chairman of the board of directors.</p>	Yes			<p>The Board of Directors has appointed an Audit Committee. The chairman of the Board of Directors is not chairman of the Audit Committee and the Audit Committee members possess the relevant expertise and experience.</p>
<p>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:</p> <ul style="list-style-type: none"> significant accounting policies, significant accounting estimates, related party transactions, and uncertainties and risks, including in relation to the outlook for the current year. 	Yes			<p>The Audit Committee reviews all relevant aspects of financial reporting, including risks and controls, and reports its conclusions to the Board of Directors.</p>

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<p>3.4.5. The Committee recommends that the audit committee:</p> <ul style="list-style-type: none"> annually assesses the need for an internal audit function, and in such a case, presents mandates and recommendations on selecting, appointing and removing the head of any internal audit function and on the budget of the internal audit function, ensure that if an internal audit has been established, a description of its functions is approved by the board of directors, ensure that if an internal audit has been established, adequate resources and competencies are allocated to carry out the work, and monitors the executive board's follow-up on the conclusions and recommendations of the internal audit function. 	Yes			The Audit Committee annually reviews the need for an internal audit. At present, ALK has not established an internal audit.
<p>3.4.6. The Committee recommends 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"> 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 assess the competencies, knowledge and experience found in the two governing bodies, annually assessing the structure, size, composition and results of the board of directors and the executive board, and recommend any changes to the board of directors, annually assessing the competencies, knowledge, experience and succession of the individual members of management, and report to the board of directors in this respect, recommending candidates for the board of directors and the executive board, and proposing an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes. 	Yes			The Nomination Committee which is constituted by the chairmanship of the Board of Directors prepares the recommended tasks in relation to nominations.

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<p>3.4.7. The Committee recommends 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"> recommending the remuneration policy (including the "General Guidelines for incentive-based Remuneration") to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting, making proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensuring that the remuneration is in compliance with the company's remuneration policy and the assessment of the performance of the persons concerned. The committee should have information about the total remuneration that members of the board of directors and the executive board receive from other companies in the group, recommend a remuneration policy applicable for the company in general and assisting with the preparation of the annual remuneration report. 	Yes			<p>The Board of Directors has appointed a Remuneration Committee that discusses all relevant aspects concerning the remuneration of the Board of Directors and the Board of Management, including the information presented in the annual report.</p> <p>The Remuneration Committee assists with the preparation of the annual remuneration report.</p>
<p>3.4.8. The Committee recommends that the remuneration committee does not consult with the same external advisers as the executive board of the company.</p>	Yes			<p>The Remuneration Committee does not consult with the same external advisers concerning remuneration as the company's Board of Management.</p>
<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 recommends that the board of directors establishes an evaluation procedure for an annual evaluation of the board of directors and the individual members. External assistance should be obtained at least every third year. The evaluation should inter alia include:</p> <ul style="list-style-type: none"> Contribution and results, Cooperation with the executive board, The chairman's leadership of the board of directors, The composition of the board of directors (including competencies, diversity and the number of members), The work in the committees and the committee structure , and The organisation and quality of the material that is submitted to the board of directors. <p>The evaluation procedure and the general conclusions should be described in the management commentary or 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>	Yes			<p>The Board of Directors and the Board of Management perform an annual evaluation of their work and cooperation. The evaluation is undertaken by the chairman in collaboration with an external consultant and is discussed by the Board of Directors and Board of Management. The procedure and outcome are presented in the annual report and accounted for at the annual general meeting prior to the election of the Board of Directors.</p>

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<p>3.5.2. The Committee recommends that at least once annually, the board of directors evaluates 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>	Yes			<p>At least once a year both the Remuneration Committee and the Board of Directors evaluate the work and performance of the Board of Management.</p> <p>The results achieved by the Board of Management are evaluated as part of the incentive pay scheme (see 4.1.2.).</p>
<p>3.5.3. The Committee recommends that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the board of directors and the chief executive officer and that the outcome of the evaluation be presented to the board of directors.</p>	Yes			<p>The evaluation (3.5.1.) also includes the cooperation between the Board of Directors and the Board of Management. The result of the evaluation is discussed by the Board of Directors.</p>
<h4>4. Remuneration of management</h4>				
<h5>4.1. Form and content of the remuneration policy</h5>				
<p>4.1.1. The Committee recommends that the board of directors prepare a remuneration policy for the board of directors and the executive board, which includes</p> <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, • a description of the criteria that form the basis for the balance between the individual components of the remuneration, and • an explanation of the correlation between the remuneration policy and the company's long-term value creation and relevant related goals. <p>The remuneration policy should be approved by the general meeting at least every fourth year and upon any material amendments and published on the company's website.</p>	Yes			<p>A description of the remuneration paid to the Board of Directors and the Board of Management is given in the annual report and on the company's website.</p> <p>The remuneration policy is approved by the general meeting of the company and is published on the company's website.</p>

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<p>4.1.2. The Committee recommends that, if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> limits be set on the variable components of the total remuneration package, a reasonable and balanced composition be ensured between remuneration for members of management and the value creation for shareholders in the short and long term, clarity be established about performance criteria and measurability for the award of variable components, it is ensured that variable remuneration not only consists of short-term remuneration components, and that long-term remuneration components must have a vesting or maturity period of at least three years, and it be ensured that the company has the ability to reclaim, in full or in part, variable components of remuneration that were paid on the basis of information, which subsequently is found to be incorrect. 	Yes			<p>The remuneration policy is set out in the annual report and the variable components live up to the recommended specifications.</p> <p>The Remuneration Committee is responsible for recommending remuneration components related to the Board of Management to the Board of Directors for approval.</p> <p>ALK has the right to reclaim in full or in part variable components of remuneration that were paid on the basis of information, which subsequently is found to be incorrect.</p>
<p>4.1.3. The Committee recommends that remuneration of members of the board of directors does not include share options or warrants.</p>	Yes			<p>The members of the Board of Directors receive a fixed fee and are not offered any share options, performance shares, warrants, or other incentive plans.</p>
<p>4.1.4. The Committee recommends that if, in relation to long-term incentive programmes, a share-based remuneration is used, the programmes should have a vesting or maturity period of at least three years after being allocated and should be roll-over programmes, i.e. the options should be granted periodically.</p>	Yes			<p>Members of the Board of Management are eligible for share-based incentive programmes. The aim of granting share-based incentive programmes is to sustain value creation and ensure fulfilment of ALK's long-term objectives. Whether using share options or performance shares as a measure, the maturity period is three years. The exercise price may not be lower than the market price. Grants are made annually.</p>
<p>4.1.5. The Committee recommends that the total value of the remuneration relating to the notice period, including severance pay, do not exceed two years' remuneration, including all components of the remuneration.</p>	Yes			<p>No severance agreements that exceed the customary terms have been made with the company's board of management.</p>
<p><i>4.2. Disclosure of remuneration</i></p>				
<p>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.</p>	Yes			<p>The remuneration policy is published on the company website and the total remuneration paid to the Board of Directors and the Board of Management is set out in the annual report and explained at the annual general meeting.</p>

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<p>4.2.2. The Committee recommends that the shareholders at the general meeting consider proposals for approval of remuneration for the board of directors for the current financial year.</p>	Yes			The annual general meeting approves the proposal for remuneration of the Board of Directors for the current financial year.
<p>4.2.3. The Committee recommends that the company prepares a remuneration report that includes information on the total remuneration received by each member of the board of directors and the executive board from the company and other companies in the group and associated companies for the last three years, including information on the most important contents of retention and resignation arrangements and that the correlation between the remuneration and company strategy and relevant related goals be explained. The remuneration report should be published on the company's website.</p>	Yes			A remuneration report including information on the total remuneration received by each member of the Board of Directors and the current Board of Management covering the last three years is part of the annual report and published on the company's website
<h3>5. Financial reporting, risk management and audits</h3>				
<p><i>5.1. Identification of risks and transparency about other relevant information</i></p>				
<p>5.1.1. The Committee recommends that the board of directors considers 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.</p>	Yes			The annual report and quarterly reports contain additional financial and non-financial information. The annual report contains a detailed account of ALK's risk management. Identification and evaluation of risks forms part of the work of the Board of Directors on strategy and is included in the annual report, where a run-down of commercial, accounting and financial risks is given.
<p><i>5.2. Whistleblower scheme</i></p>				
<p>5.2.1. The Committee recommends that the board of directors establish a whistleblower scheme for expedient and confidential notification of serious wrongdoing and suspicions thereof.</p>	Yes			ALK has established a Code of Conduct and a whistleblower scheme. The whistleblower scheme was implemented in 2013.
<p><i>5.3. Contact to auditor</i></p>				
<p>5.3.1. The Committee recommends that the board of directors ensures 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 a year without the executive board present. This also applies to the internal auditor, if any.</p>	Yes			<p>The Board of Directors meets with the auditors at least once a year.</p> <p>The audit committee meets with the company's auditors at least twice a year without the Board of Management being present.</p>

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<p>5.3.2. The Committee recommends that the audit agreement and auditors' fee be agreed by the board of directors and the auditor elected by the general meeting based on a recommendation from the audit committee.</p>	<p>Yes</p>			<p>The audit engagement letter and auditors' remuneration are agreed between the Board of Directors and the auditors at the recommendation of the Audit Committee.</p>