

## Corporate Governance

In 2005, the NASDAQ OMX Copenhagen A/S adopted a set of recommendations on corporate governance. The recommendations were most recently updated in 2010 in the light of the Danish Companies Act of 2009, amended provisions of the Danish Financial Statements Act and the Danish Auditors Act as well as recommendations from the European Commission, including on the remuneration of the members of the management of listed companies. 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, ALK is required in connection with the presentation of the annual report 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	Does the company comply?	Rationale
<b>1. The role of the shareholders and their interaction with the management of the company</b>		
<i>1.1. Dialogue between the company and its shareholders</i>		
1.1.1. The Committee <b>recommends</b> that the central governing body, for example through investor relations activities, ensure an ongoing dialogue between the company and its shareholders in order that the central governing body knows the shareholders' attitude, interests and views in relation to the company and that investor relations material be made available to all investors on the company's website.	Yes	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.
<i>1.2. Capital and share structure</i>		
1.2.1. The Committee <b>recommends</b> that the central governing body every year evaluate whether the company's capital and share structures continue to be in the interests of the shareholders and the company and account for this evaluation in the management commentary in the annual report and/or on the company's website.	Yes	The Board regularly evaluates capital and share structure, including by defining the strategy and budgets as well as proposals for allocation of profits. The evaluation is contained in the annual report.
<i>1.3. General meeting</i>		
1.3.1. The Committee <b>recommends</b> that the supreme governing body and the executive board promote active ownership, including shareholders' attendance at general meetings.	Yes	The Board of Directors encourages all shareholders to attend. The general 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 with the company's annual report to all shareholders who have so requested.
1.3.2. The Committee <b>recommends</b> that the central governing body resolve or submit to the general meeting the question whether the general meeting shall be conducted by physical attendance or as a partly or entirely electronic general meeting.	Yes	The general meeting is conducted by physical attendance, but new technological options are evaluated on an ongoing basis.
1.3.3 The Committee <b>recommends</b> that proxies given to the supreme governing body 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 decide on each individual item on the agenda.

Recommendation	Does the company comply?	Rationale
1.3.4 The Committee <b>recommends</b> that all members of the supreme governing body and the executive board be present at the general meeting.	Yes	All members of the Board of Directors and the Board of Management are present at the general meeting.
<i>1.4. Takeover bids</i>		
1.4.1 The Committee <b>recommends</b> that the central governing body, from the moment it obtains knowledge that a takeover bid will be submitted, do 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.	Yes	ALK has no written procedure governing the role of the Board of Directors in the event of a takeover bid, but in the event of any takeover bid the Board of Directors will safeguard the shareholders' interests and will not make any decisions or transactions which in reality preclude the shareholders from making a decision.
1.4.2. The Committee <b>recommends</b> that the central governing body give the shareholders the opportunity to decide whether or not they wish to dispose of their shares in the company under the terms offered.	Yes	See above.
<b>2. The role of stakeholders and their importance to the company and the company's corporate social responsibility</b>		
<i>2.1. The company's policy in relation to its stakeholders</i>		
2.1.1. The Committee <b>recommends</b> that the central governing body identify the company's key stakeholders and their main interests in relation to the company.	Yes	The relationship with stakeholders – customers, partners, shareholders and employees etc. – is the pivotal point for ALK's mission, vision and values.  ALK has a specific IR policy describing the company's relations with investors, analysts and others.
2.1.2. The Committee <b>recommends</b> that the central governing body adopt a policy on the company's relationship with its stakeholders, including the investors, and ensure that the interests of the stakeholders are respected in accordance with the company's policy on such issues.	Yes	See above.
<i>2.2. Corporate social responsibility</i>		
2.2.1. The Committee <b>recommends</b> that the central governing body adopt a policy on corporate social responsibility.	Yes	ALK's CSR is part of its strategy, which has been adopted by the Board of Directors. CSR activities are described in the company's annual report.
<b>3. Openness and transparency</b>		
<i>3.1. Disclosure of information to the market</i>		
3.1.1. The Committee <b>recommends</b> that the central governing body adopt a communication strategy.	Yes	The Board of Directors has adopted a communication strategy in order to ensure effective communications with the stakeholders – customers, partners, shareholders and employees etc.
3.1.2. The Committee <b>recommends</b> that information from the company to the market be published in both Danish and English.	Yes	ALK's company releases, annual reports and central websites are drawn up in both Danish and English.
3.1.3. The Committee <b>recommends</b> that the company publish quarterly reports.	Yes	ALK publishes quarterly reports and gives a web-cast presentation of these and holds meetings with investors.

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<b>4. The tasks and responsibilities of the supreme and the central governing bodies</b>		
<i>4.1. Overall tasks and responsibilities</i>		
4.1.1. The Committee <b>recommends</b> that the central governing body determine the company's overall strategy at least once every year with a view to sustaining value creation in the company.	Yes	The Board of Directors determines the company's overall strategy every year and monitors the progress hereof with a view to sustaining value creation in the company.
4.1.2. The Committee <b>recommends</b> that the supreme governing body at least once every year discuss and ensure that the necessary qualifications and financial resources are in place in order for the company to achieve its strategic goals.	Yes	See above.
4.1.3. The Committee <b>recommends</b> that the supreme governing body at least once every year define its most important tasks related to the financial and managerial control of the company, including how to supervise the work of the executive board.	Yes	Every year the Board of Directors defines a plan for its work, including risk management and internal controls.
<i>4.2. Procedures</i>		
4.2.1. The Committee <b>recommends</b> that the supreme governing body review its rules of procedure annually to ensure that they are adequate and always match the activities and needs of the company.	Yes	The Board of Directors reviews its rules of procedure and accompanying appendices every year.
4.2.2. The Committee <b>recommends</b> that the supreme governing body annually review and approve procedures for the executive board, including establish requirements for the executive board's timely, accurate and adequate reporting to the supreme governing body and for any other communication between the two governing bodies.	(Yes)	The tasks and duties of the Board of Management have been laid down in the Board of Director's rules of procedure, and procedures have been defined for ongoing management reporting as well as reporting on risks, audits etc. The Board of Management's responsibilities and conditions of employment are set out in the Board of Director's rules of procedure, but no separate rules of procedure have been drawn up for the Board of Management.
<i>4.3. The chairman and deputy chairman of the supreme governing body</i>		
4.3.1. The Committee <b>recommends</b> that a deputy chairman of the supreme governing body be appointed, who must be able to act in the chairman's absence and also act as an effective sounding board for the chairman.	Yes	The Board of Directors has a vice chairman.
4.3.2. The Committee <b>recommends</b> the preparation of a scope of work and task list specifying the tasks, duties and responsibilities of the chairman and deputy chairman.	Yes	The Board of Directors' rules of procedure specify rules for the scope of work of the chairman and vice chairman.
4.3.3. The Committee <b>recommends</b> that the chairman of the supreme governing body organise, convene and chair meetings to ensure efficiency in the body's work and to create the best possible working conditions for the members, individually and collectively.	Yes	The Board of Directors' rules of procedure determine the framework for the Board of Director's work, which is directed by the chairman.

Recommendation	Does the company comply?	Rationale
<p>4.3.4. The Committee <b>recommends</b> that, if the board of directors in exceptional cases asks its chairman to perform special tasks for the company, including briefly participate in the day-to-day management, a board resolution to that effect should be passed and precautions taken to ensure that the board of directors will maintain responsibility for the overall management and control function. A reasonable distribution of duties must be ensured between the chairman, the deputy chairman, the other members of the board of directors and the executive board. Information about agreements on the chairman's participation in the day-to-day management and the expected duration hereof must be disclosed in a company announcement.</p>	Yes	<p>The rules of procedure specify that the chairman must 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 odd tasks which he is requested to carry out by and for the Board of Directors.</p>

## 5. Composition and organisation of the supreme governing body

<i>5.1. Composition</i>		
<p>5.1.1. The Committee <b>recommends</b> that the supreme governing body annually specify the skills it must have to best perform its tasks and that the specification be posted on the website. Proposals for the nomination/replacement of members of the supreme governing body to be submitted to the general meeting should be prepared in the light hereof.</p>	(No)	<p>At the general meeting an account is given of the competences of candidates nominated for new election to the Board of Directors.</p>
<p>5.1.2. The Committee <b>recommends</b> that the supreme governing body ensure a formal, thorough and transparent process for selection and nomination of candidates to the supreme governing body. When assessing its composition and nominating new candidates, the supreme governing body must take into consideration the need for integration of new talent and the need for diversity in relation to international experience, gender and age, etc.</p>	(Yes)	<p>The Board of Directors is responsible for the selection of candidates for the Board. When assessing its composition and nominating new candidates, consideration is given to the need for innovation and the need for diversity in relation to international experience, gender and age etc. No formal procedure has been laid down.</p>
<p>5.1.3. The Committee <b>recommends</b> that a description of the nominated candidates' qualifications, including information about other executive functions, e.g. memberships of executive boards, boards of directors and supervisory boards, including board committees, held by the candidates in both Danish and foreign companies as well as information on demanding organisational tasks should accompany the notice convening the general meeting when election of members to the supreme governing body is on the agenda.</p>	Yes	<p>Together with the notice convening the general meeting at which election to the supreme management body is on the agenda, a description is sent out of candidates nominated for election with respect to competences and other executive functions and directorships.</p> <p>The company's annual report sets out executive functions and directorships for all members of the Board of Directors.</p>
<p>5.1.4. The Committee <b>recommends</b> that every year, the annual report contain an account of the composition of the supreme governing body, including its diversity, and of any special skills possessed by the individual members.</p>	Yes	<p>The annual report sets out the composition of the Board of Directors, including members' managerial competences.</p>
<i>5.2. Training of members of the supreme governing body</i>		
<p>5.2.1. The Committee <b>recommends</b> that new members joining the supreme governing body be given an introduction to the company.</p>	Yes	<p>Newly elected members of the Board of Directors receive an introduction to the company by the chairman of the Board of Directors and members of the Board of Management.</p>

Recommendation	Does the company comply?	Rationale
5.2.2. The Committee <b>recommends</b> that the supreme governing body annually assess whether the skills and expertise of its members need to be updated.	(Yes)	It is incumbent on the individual member to keep his or her competences and specialist knowledge up to date.
<i>5.3. Number of members of the supreme governing body</i>		
5.3.1. The Committee <b>recommends</b> that the supreme governing body have only so many members as to allow a constructive debate and an effective decision-making process enabling all members to play an active role.	Yes	The Board of Directors has nine members, three of whom are employee-elected members.
5.3.2. The Committee <b>recommends</b> that in connection with the preparation for each year's general meeting, the supreme governing body consider whether the number of members is appropriate in relation to the requirements of the company.	Yes	Each year, ahead of the general meeting, the Board of Directors considers whether the number of members is appropriate.
<i>5.4. The independence of the supreme governing body</i>		
<p>5.4.1. In order for the members of the supreme governing body to act independently of special interests, the Committee <b>recommends</b> that at least half of the members elected by the general meeting be independent persons.</p> <p>The independent supreme governing body member may not:</p> <ul style="list-style-type: none"> <li>• be, or have been within the last five years, a member of the executive board/managerial staff of the company or an associated company,</li> <li>• have received significant additional remuneration from the company/group or an associated company apart from a fee for its services in the capacity as a member of the supreme governing body,</li> <li>• represent the interests of a controlling shareholder,</li> <li>• within the last year, have had a material business relationship (e.g. personally or indirectly as a partner or an employee, shareholder, customer, supplier or member of a governing body of companies with similar relations) with the company or an associated company,</li> <li>• be, or have been within the last three years, an employee or partner of the external audit firm,</li> <li>• hold cross-memberships of governing bodies,</li> <li>• have been a member of the supreme governing body for more than 12 years, or</li> <li>• have close family ties with persons that are not regarded as independent persons.</li> </ul>	Yes	At least half of the members of the Board of Directors are independent of the company. Two members of the Board of Directors are also members of the board of directors of the Lundbeck Foundation, which is a controlling shareholder.
5.4.2. The Committee <b>recommends</b> that at least once every year, the supreme governing body list the names of the members who are regarded as independent persons and also disclose whether new candidates for the supreme governing body are considered independent persons.	Yes	Information is given in the annual report as to which members are independent of the company. The description of new candidates for the Board of Directors includes particulars of whether the candidates are considered independent persons.

Recommendation	Does the company comply?	Rationale
<i>5.5. Members of the supreme governing body elected by the employees</i>		
5.5.1. The Committee <b>recommends</b> that the individual company explain, in the company's annual report or on its website, the system of employee-elected board members and the company's use hereof in companies where the employees have chosen to apply the provisions of the Companies Act on employee representation.	Yes	ALK complies with the provisions of Danish legislation (the Companies Act) concerning representation at company level. Employee representatives are elected every four years, the next time being in March 2011.
<i>5.6. Meeting frequency</i>		
5.6.1. The Committee <b>recommends</b> that the supreme governing body meet at regular intervals according to a predetermined meeting and work schedule or when meetings are deemed necessary or appropriate as required by the company and that the number of meetings held be disclosed in the annual report.	Yes	The work schedule of the Board of Directors is determined for at least one year at a time. The number of meetings held is disclosed in the annual report.
<i>5.7. Expected time commitment and the number of other executive function</i>		
5.7.1. The Committee <b>recommends</b> that each member of the supreme governing body assess the expected time commitment for each function in order that the member does not take on more functions than he/she can manage in a satisfactory way 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.
5.7.2. The Committee <b>recommends</b> that the annual report contain the following information about the members of the supreme governing body: <ul style="list-style-type: none"> <li>the member's occupation,</li> <li>the member's other executive functions, e.g. memberships of executive boards, boards of directors and supervisory boards, including board committees, in Danish and foreign companies as well as demanding organisational tasks, and</li> <li>the number of shares, options, warrants, etc. that the member holds in the company and its consolidated companies and any changes in such holdings during the financial year.</li> </ul>	Yes	The annual report outlines occupation, other executive functions and shareholdings in ALK-Abelló A/S of each member of the Board of Directors as well as the remuneration to the Board of Directors.
<i>5.8. Retirement age</i>		
5.8.1. The Committee <b>recommends</b> that the company's articles of association fix a retirement age for members of the supreme governing body and that the annual report contain information on such retirement age as well as the age of each member of the board of directors.	Yes	Members elected by the general meeting who have turned 70 at the time of the general meeting are not eligible for election to the Board of Directors.
<i>5.9. Election period</i>		
5.9.1. The Committee <b>recommends</b> that members of the supreme governing body elected by the general meeting be up for re-election every year at the annual general meeting.	Yes	The members of the Board of Directors elected by the general meeting are elected for one year at a time.
5.9.2. The Committee <b>recommends</b> that the annual report state when the individual member of the supreme governing body joined the body, whether the member was re-elected and when the current election period expires.	Yes	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.

Recommendation	Does the company comply?	Rationale
<i>5.10. Board committees</i>		
5.10.1. The Committee <b>recommends</b> that the company publish the following information in the management commentary in its annual report or on the company's website: <ul style="list-style-type: none"> <li>• the terms of reference for the board committees,</li> <li>• important activities of the committees during the year and the number of meetings held by each committee, and</li> <li>• the names of the members of each committee, including the chairmen of the committees, as well as information on which members are independent members and which members have special qualifications.</li> </ul>	Yes	No board committee has been set up, as stated in the annual report.
5.10.2. The Committee <b>recommends</b> that a majority of the members of a board committee be independent members.	Yes	See above.
5.10.3. The Committee <b>recommends</b> that the supreme governing body establish an actual <u>audit committee</u> .	Yes	The Board of Directors as a whole acts as the audit committee.
5.10.4. The Committee <b>recommends</b> that the following be taken into account in composing the audit committee: <ul style="list-style-type: none"> <li>• the chairman of the supreme governing body should not be chairman of the audit committee, and</li> <li>• between them, the members should possess such an amount of expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit conditions of companies whose shares are admitted to trading on a regulated market.</li> </ul>	No	The Board of Directors as a whole acts as the audit committee. Therefore, the chairman of the Board of Directors is also the chairman of the audit committee.
5.10.5. 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 supreme governing body about: <ul style="list-style-type: none"> <li>• significant accounting policies</li> <li>• significant accounting estimates,</li> <li>• related party transactions, and</li> <li>• uncertainties and risks, including in relation to the outlook.</li> </ul>	No	The Board of Directors as a whole acts as the audit committee.
5.10.6. The Committee <b>recommends</b> that the audit committee: <ul style="list-style-type: none"> <li>• annually consider whether there is a need for an internal audit function, and if so,</li> <li>• formulate recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, and</li> <li>• monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function.</li> </ul>	Yes	The Board of Directors, which acts as the audit committee, assesses the need for internal audit.

Recommendation	Does the company comply?	Rationale
<p>5.10.7. The Committee <b>recommends</b> that the supreme governing body establish a <u>nomination committee</u> with at least the following preparatory tasks: describe the qualifications required in the two governing bodies and for a given position, state the expected time commitment for a position and evaluate the balance of skills, knowledge and experience available in the two governing bodies.</p> <ul style="list-style-type: none"> <li>• annually evaluate the structure, size, composition and performance of the governing bodies and make recommendations to the supreme governing body with regard to any changes,</li> <li>• annually evaluate the skills, knowledge and experience of the individual members of the governing bodies and report such details to the supreme governing body,</li> <li>• consider proposals submitted by relevant persons, including shareholders and members of the governing bodies, for candidates for executive positions, and</li> <li>• identify and recommend to the supreme governing body candidates for the governing bodies.</li> </ul>	(No)	The Board of Directors performs functions relating to nomination. No formal nomination procedure has been laid down.
<p>5.10.8. The Committee <b>recommends</b> that the supreme governing body establish a <u>remuneration committee</u> with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• make proposals, for the approval of the supreme governing body prior to approval at the general meeting, on the remuneration policy, including the overall principles of incentive pay schemes, for members of the supreme governing body and the executive board,</li> <li>• make proposals to the supreme governing body on remuneration for members of the supreme governing body and the executive board and ensure that the remuneration is consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the supreme governing body and the executive board receive from other companies in the group, and</li> <li>• oversee that the information in the annual report on the remuneration of the supreme governing body and the executive board is correct, true and sufficient.</li> </ul>		The remuneration policy is set out in the annual report and on the company's website. The chairmanship of the Board of Directors is responsible for agreements on the remuneration of the Board of Management.
<p>5.10.9. 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>	Yes	The Board of Directors does not use the same adviser as the company for remuneration purposes.
<p><i>5.11. Evaluation of the performance of the supreme governing body and the executive board</i></p>		
<p>5.11.1. The Committee <b>recommends</b> that the supreme governing body undertake an annual evaluation of the performance and achievements of the supreme governing body and of the individual members of the body.</p>	No	The Board of Directors evaluates the work on the Board on an ongoing basis, but no formal procedure has been laid down.

Recommendation	Does the company comply?	Rationale
5.11.2. The Committee <b>recommends</b> that the chairman be in charge of the evaluation of the supreme governing body, that the outcome be discussed in the supreme governing body and that the details of the procedure of self-evaluation and the outcome be disclosed in the annual report..	No	The Board of Directors evaluates the work on the Board on an ongoing basis, but no formal procedure has been laid down.
5.11.3. The Committee <b>recommends</b> that the supreme governing body at least once every year evaluate the work and performance of the executive board in accordance with pre-defined criteria.	(No)	The chairmanship of the Board of Directors evaluates the work and performance of the Board of Management on an ongoing basis and at least once a year, but no formal procedure has been laid down.
5.11.4. The Committee <b>recommends</b> that the executive board and the supreme governing body establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the supreme governing body and the chief executive officer and that the outcome of the evaluation be presented to the supreme governing body.	(Yes)	The Board of Directors evaluates its cooperation with the Board of Management on an ongoing basis.
<b>6. Remuneration of members of the governing bodies</b>		
<i>6.1. Content and form of the remuneration policy</i>		
6.1.1. The Committee <b>recommends</b> that the supreme governing body adopt a remuneration policy applicable to the supreme governing body and the executive board.	Yes	The remuneration policy is determined by the Board of Directors and is set out in the annual report.
6.1.2. The Committee <b>recommends</b> that the remuneration policy and any changes to the policy be approved by the general meeting of the company.	Yes	6.1.2. The Committee <b>recommends</b> that the remuneration policy and any changes to the policy be approved by the general meeting of the company.
6.1.3. Committee <b>recommends</b> that the remuneration policy include a thorough description of the components of the remuneration for members of the supreme governing body and the executive board.	Yes	A description of the remuneration paid to the Board of Directors and the Board of Management is given in the annual report.
6.1.4. The Committee <b>recommends</b> that the remuneration policy include: <ul style="list-style-type: none"> <li>the reasons for choosing the individual components of the remuneration, and</li> <li>a description of the criteria on which the balance between the individual components of the remuneration is based.</li> </ul>	Yes	The remuneration policy is set out in the annual report and on the website. The chairmanship of the Board of Directors is responsible for the specific agreement on the remuneration of to Board of Management.
6.1.5. The Committee <b>recommends</b> that, if the remuneration policy includes variable components, <ul style="list-style-type: none"> <li>limits be set on the variable components of the total remuneration package,</li> <li>a reasonable and balanced linkage be ensured between remuneration for governing body members, expected risks and the value creation for shareholders in the short and long term,</li> <li>there be clarity about performance criteria and measurability for award of variable components, and</li> <li>there be criteria ensuring that vesting periods for variable components of remuneration agreements are longer than one calendar year.</li> </ul>	Yes	The remuneration policy is set out in the annual report. The chairmanship of the Board of Directors is responsible for the specific agreement on the remuneration of to Board of Management.

Recommendation	Does the company comply?	Rationale
6.1.6. The Committee <b>recommends</b> that remuneration of members of the supreme governing body do not include share or warrant programmes.	Yes	The members of the Board of Directors receive a fixed fee and are not offered any share options, warrants or other incentive plans.
6.1.7. The Committee <b>recommends</b> that if members of the executive board receive share-based remuneration, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should not be exercisable earlier than three years from the date of grant. An explanation of the relation between the redemption price and the market price at the time of grant should be provided.	Yes	Members of the Board of Management are eligible for options. The aim of option grants is to sustain value creation and ensure fulfilment of ALK's long-term objectives. The option plan is based on shares, and grants may be made annually, usually in connection with the presentation of the Q3 financial statements. The present value at the date of grant of options granted in any one year may not exceed 30% of the employee's gross salary. Normally, options are exercisable no earlier than three years after grant, and the exercise price of the options may not be lower than the market price of ALK's shares at, or immediately before, the date of grant.
6.1.8. The Committee <b>recommends</b> that, in exceptional cases, companies should be able to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be manifestly misstated.	(Yes)	<p>The terms of employment and the remuneration of the members of the Board of Management are agreed specifically between each member of the Board of Management and the Board of Directors, and the remuneration will normally include the following components:</p> <ul style="list-style-type: none"> <li>a. fixed salary ('gross salary'), including pension.</li> <li>b. usual non-pay benefits, such as car, phone, newspaper, etc.</li> <li>c. cash bonus, see below.</li> <li>d. share options, see below.</li> </ul> <p><b>Cash bonus</b> Individual members of the Board of Management may receive an annual bonus not to exceed 30% of their gross salaries for the year. The aim of the cash bonus is to ensure fulfilment of ALK's short-term objectives.</p> <p><b>Share options</b> Members of the Board of Management are eligible for options. The aim of option grants is to sustain value creation and ensure fulfilment of ALK's long-term objectives. The option plan is based on shares, and grants may be made annually, usually in connection with the presentation of the Q3 financial statements. The present value at the date of grant of options granted in any one year may not exceed 30% of the employee's gross salary. Normally, options are exercisable no earlier than three years after grant, and the exercise price of the options may not be lower than the market price of ALK's shares at, or immediately before, the date of grant.</p> <p>No agreement has been made with the members of the company's Board of Management for severance pay exceeding usual severance terms.</p>
6.1.9. The Committee <b>recommends</b> that termination payments should not amount to more than two years' annual remuneration.	Yes	No severance or retirement agreements have been entered into beforehand.

Recommendation	Does the company comply?	Rationale
<i>6.2. Disclosure of the remuneration policy</i>		
6.2.1. The Committee <b>recommends</b> that the remuneration policy be clear and easily understandable and that it be disclosed in the annual report and posted on the company's website.	Yes	ALK's remuneration policy is set out in the annual report and on the company's website.
6.2.2. The Committee <b>recommends</b> that the company's remuneration policy and compliance with this policy be explained and justified in the chairman's statement at the company's general meeting.	Yes	The remuneration policy and the total remuneration paid to the Board of Directors and the Board of Management are set out in the annual report, which is approved at the general meeting.
6.2.3. The Committee <b>recommends</b> that the total remuneration granted to each member of the supreme governing body and the executive board by the company and other consolidated companies be disclosed in the (consolidated) financial statements and that the linkage with the remuneration policy be explained.	No	The remuneration policy and the total remuneration paid to the Board of Directors and the Board of Management are set out in the annual report, which is approved at the general meeting. The most essential part is the total remuneration and any increase or decrease in it. The remuneration paid to the Board of Directors and the Board of Management is disclosed in the annual report.
6.2.4. The Committee <b>recommends</b> that the details of any defined-benefit schemes offered to members of the supreme governing body or the executive board and the actuarial value of such schemes as well as changes during the year be included as part of the information on the total remuneration.	Yes	The gross pay of the Board of Management includes pension payments. No special pension schemes have been agreed with the Board of Directors or the Board of Management.
6.2.5. The Committee <b>recommends</b> that the most important aspects of retention and severance programmes be disclosed in the company's annual report.	Yes	The company's remuneration policy is set out in the annual report. No severance agreements have been entered into beforehand.
6.2.6. The Committee <b>recommends</b> that the proposal for remuneration of the supreme governing body for the current financial year be approved by the shareholders at the general meeting.	No	The remuneration policy and the total remuneration paid to the Board of Directors and the Board of Management are set out in the annual report, which is approved at the general meeting.
<b>7. Financial reporting</b>		
<i>7.1. Other relevant information</i>		
7.1.1. The Committee <b>recommends</b> that the annual report and other financial reports be supplemented by additional financial and non-financial information, if deemed necessary or relevant in relation to the information needs of the recipients.	Yes	The annual report and quarterly reports contain additional financial and non-financial information.
<i>7.2. Going concern assumption</i>		
7.2.1. The Committee <b>recommends</b> that, upon consideration and approval of the annual report, the supreme governing body decide whether the business is a going concern, including supporting assumptions or qualifications where necessary.	Yes	The Board of Directors considers whether the presentation of accounts is subject to continued-operation status (the going-concern assumption), including any special conditions on which this is based and, if so, any uncertainties associated herewith.

Recommendation	Does the company comply?	Rationale
<b>8. Risk management and internal control</b>		
<i>8.1. Identification of risks</i>		
8.1.1. The Committee <b>recommends</b> that the central governing body at least once every year identify the most important business risks associated with the realisation of the company's strategy and overall goals as well as the risks associated with financial reporting.	Yes	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.
8.1.2. The Committee <b>recommends</b> that the executive board currently report to the supreme governing body on the development within the most important areas of risk and compliance with adopted policies, frameworks etc. in order to enable the supreme governing body to track the development and make the necessary decisions.	Yes	Once a year, the Board of Management presents a report on risk management to the audit committee, which is made up of the Board of Directors.
<i>8.2. Whistleblowing</i>		
8.2.1. The Committee <b>recommends</b> that the supreme governing body decide whether to establish a whistleblowing scheme for expedient and confidential notification of possible or suspected wrongdoing.	(No)	ALK has established a Code of Conduct and is considering setting up a whistleblowing scheme.
<i>8.3. Openness about risk management</i>		
8.3.1. The Committee <b>recommends</b> that the management commentary in the annual report include information about the company's management of business risks.	Yes	The annual report contains a detailed account of ALK's risk management.
<b>9. Audit</b>		
<i>9.1. Contact to auditor</i>		
9.1.1. The Committee <b>recommends</b> that the supreme governing body maintain a regular dialogue and exchange of information with the auditor.	Yes	The Board of Directors meets with the auditors twice a year.
9.1.2. The Committee <b>recommends</b> that the auditor agreement and auditors' fee be agreed between the supreme governing body and the auditor on the basis of a recommendation from the audit committee.	Yes	The audit engagement letter and auditors' remuneration are agreed between the Board of Directors and the auditors.
9.1.3. The Committee <b>recommends</b> that the supreme governing body and the audit committee meet with the auditor at least once every year without the executive board present. This also applies to the internal auditor, if any.	Yes	The chairman of the Board of Directors meets with the company's auditors once a year without the Board of Management being present.
<i>9.2. Internal audit</i>		
9.2.1. The Committee <b>recommends</b> that the supreme governing body, on the basis of a recommendation from the audit committee, once every year decide whether to establish an internal audit for support and control of the company's internal control and risk management systems and state the reasons for its decision in the annual report.	Yes	Each year, the Board of Directors makes a decision on implementation of internal control and risk management as well as audit. This is described in the annual report.