

Corporate Governance

In 2005, NASDAQ OMX Copenhagen A/S adopted a set of recommendations on corporate governance. The recommendations were most recently updated in 2010, 2011, 2013 and 2014 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 and on the quality of corporate governance reporting. 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 in order for the shareholders to gain relevant insight into the company's potential and policies, and in order for the board of directors to be aware of the shareholders' views, interests and opinions on the company.	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 other investors, and that the board 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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1.2. General meeting

<p>1.2.1. The Committee recommends that when organizing the company's general meeting, the board of directors plans the meeting to support active ownership.</p>	Yes		<p>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.</p>
<p>1.2.2. The Committee recommends that proxies granted for the general meeting allow shareholders to consider each individual item on the agenda.</p>	Yes		<p>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.</p>

1.3. Takeover bids

<p>1.3.1. The Committee recommends that the company set up contingency procedures in the event of takeover bids from the time that the board of directors has reason to believe that a takeover bid will be made. According to such contingency procedures, the board of directors should not without the acceptance of the general meeting, attempt to counter the takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid themselves.</p>	Yes		<p>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.</p>
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2. Tasks and responsibilities of the board of directors

2.1. Overall tasks and responsibilities

<p>2.1.1. The Committee recommends that at least once a year the board of directors take a position on the matters related to the board's performance of its responsibilities.</p>	Yes		<p>At least once a year, the Board of Directors takes a position on the matters related to the Board's performance of its responsibilities. The responsibilities are defined in the rules of procedures for the Board of Directors which is reviewed annually.</p>
<p>2.1.2. The Committee recommends that at least once a year the board of directors take a position on the overall strategy of the company with a view to ensuring value creation in the company.</p>	Yes		<p>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.</p>
<p>2.1.3. The Committee recommends that the board of directors ensure that the company has a capital and share structure ensuring that the strategy and long-term value creation of the company are in the best interest of the shareholders and the company, and that the board of directors presents this in the management commentary on the company's annual report and/or on the company's website.</p>	Yes		<p>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.</p>

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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 on timely, accurate and adequate 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 of the executive board, as well as developments, risks and succession plans.</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>2.1.6. The Committee recommends that once a year the board of directors discuss the company's activities to ensure relevant diversity at management levels, including setting specific goals and accounting for its objectives and progress made in achieving the objectives in the management commentary on the company's annual report and/or on the website of the company.</p>	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. It is ALK's aim that the company's management levels in time will reflect the recruitment pool in terms of gender and nationality.</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 ensuring that, if the board of directors, in exceptional cases, asks the chairman of the board of directors to perform special operating activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect be passed to ensure that the board of directors maintains its independent, overall management and control function. Resolutions on the chairman's participation in day-to-day management and the expected duration hereof should be published in a company announcement.</p>	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.</p>

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3. Composition and organization of the board of directors				
<i>3.1. Composition</i>				
3.1.1. The Committee recommends that the board of directors annually accounts for <ul style="list-style-type: none"> • the skills it must have to best perform its tasks, • the composition of the board of directors, and the special skills of each member. 	Yes			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. On first election, the candidates' competences are presented in the notice convening the annual general meeting.
3.1.2. The Committee recommends that the selection and nomination of candidates for the board of directors be carried out through a thoroughly transparent process approved by the overall board of directors. When assessing its composition and nominating new candidates, the board of directors must take into consideration the need for integration of new talent and diversity in relation to age, international experience and gender.	Yes			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 approved by the Board of Directors. The candidates are approved by the Board of Directors.
3.1.3. The Committee recommends that a description of the nominated candidates' qualifications, including information about the candidates' <ul style="list-style-type: none"> • other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises, be accompanied by the notice convening the general meeting when election of members to the board of directors is on the agenda. • demanding organizational tasks, and information about whether candidates to the board of directors are considered independent. 	Yes			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. 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. The company's annual report and website present the executive functions and directorships of all members of the Board of Directors.
3.1.4. The Committee recommends that the company's articles of association stipulate a retirement age for members 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.

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<p>3.1.5. The Committee recommends that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.</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 member of the executive board, or senior staff member in the company, a subsidiary undertaking or an associate, • within the past five years, have received larger emoluments from the company / group, • a subsidiary undertaking or an associate in another capacity than as member of the • board of directors, • represent the interests of a controlling shareholder, • within the past year, have had significant business relations (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management in companies with corresponding connection) with the company, a subsidiary undertaking or an associate. • be or within the past three years have been employed or partner at the external auditor, • have been chief executive in a company holding cross-memberships with the company, • have been member of the board of directors for more than 12 years, or have been close relatives with persons who are not considered independent. 	Yes			At least half the members of the Board of Directors are independent of the company.
<p><i>3.3. Members of the board of directors and the number of other executive functions</i></p>				
<p>3.3.1. The Committee recommends that each member of the board of directors assesses the expected time commitment for each function in order that the member does not take on more functions than he/she can manage satisfactorily for the company.</p>	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.

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<p>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:</p> <ul style="list-style-type: none"> the position of the relevant person, the age and gender of the relevant person, whether the member is considered independent, the date of appointment to the board of directors of the member, expiry of the current election period, other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises and demanding organizational tasks, and the number of shares, options, warrants and similar in the company, and other group companies of the company, owned by the member, as well as changes in the portfolio of the member of the securities mentioned which have occurred during the financial year. 	Yes			<p>The annual report outlines occupation, other executive functions and shareholdings in ALK of each member of the Board of Directors.</p> <p>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.</p>
<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> <p>The terms of reference of the board committees,</p> <ul style="list-style-type: none"> the most important activities of the committees during the year, and the number of meetings held by each committee, and the names of the members of each committee, including the chairmen of the committees, as well as information on which members are independent members and which members have special qualifications. 	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 presented on the website.</p>
<p>3.4.2. The Committee recommends that a majority of the members of a board committee be independent.</p>	Yes			<p>The majority of members of each Board committee are independent members.</p>
<p>3.4.3. The Committee recommends that the board of directors set up a formal <u>audit committee</u> composed such that</p> <ul style="list-style-type: none"> the chairman of the board of directors is not chairman of the audit committee, and between them, the members should possess such expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit aspects of companies whose shares are admitted to trading on a regulated market. 	Yes			<p>The Board of Directors has appointed an Audit Committee.</p>

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<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			The Audit Committee reviews all relevant aspects of financial reporting, including risks and controls, and reports its conclusions to the Board of Directors.
<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, and in such case, makes recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, and • 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.
<p>3.4.6. The Committee recommends that the board of directors establish a nomination committee chaired by the chairman of the board of directors with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> • describe the qualifications required by the board of directors and the executive board, and for a specific membership, state the time expected to be spent on having to carry out the membership, as well as assess the competences, knowledge and experience of the two governing bodies combined, • annually assess the structure, size, composition and results of the board of directors and the executive board, as well as recommend any changes to the board of directors, • annually assess the competences, knowledge and experience of the individual members of management, and report to the board of directors in this respect, • consider proposals from relevant persons, including shareholders and members of the board of directors and the executive board for candidates for the board of directors and the executive board, and • propose an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes. 	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 remuneration committee with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> to recommend the remuneration policy (including the general guidelines for incentive-based remuneration) to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting, make proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensure that the remuneration is in compliance with the company's remuneration policy and the assessment of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the board of directors and the executive board receive from other companies in the group, and recommend a remuneration policy applicable for the company in general. 	Yes			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>3.4.8. The Committee recommends that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p>	Yes			The Remuneration Committee does not consult with the same external advisers concerning remuneration as the company's Board of Management.
<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 establish an evaluation procedure where contributions and results of the board of directors and the individual members, as well as collaboration with the executive board are annually evaluated. Significant changes deriving from the evaluation should be included in the management commentary or on the company's website.</p>	Yes			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 and is discussed by the Board of Directors. The procedure and outcome are presented in the annual report.
<p>3.5.2. The Committee recommends that in connection with preparation of the general meeting, the board of directors consider whether the number of members is appropriate in relation to the requirements of the company. This should help ensure a constructive debate and an effective decision-making process in which all members are given the opportunity to participate actively.</p>	Yes			The Board of Directors has nine members, three of whom are employee-elected members. Each year, ahead of the general meeting, the Board of Directors considers whether the number of members is appropriate.
<p>3.5.3. The Committee recommends that at least once every year the board of directors evaluate the work and performance of the executive board in accordance with predefined clear criteria.</p>	Yes			The annual evaluation of the Board of Directors also includes evaluation of the Board of Management. In addition, the results achieved by the Board of Management are evaluated as part of the incentive pay scheme (see 4.1.2.).

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<p>3.5.4. The Committee recommends that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalized dialogue between the chairman of the board of directors and the chief executive officer and that the outcome of the evaluation be presented to the board of directors.</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>
<p>4. Remuneration of management</p>				
<p><i>4.1. Form and content of the remuneration policy</i></p>				
<p>4.1.1. The Committee recommends that the board of directors prepare a clear and transparent remuneration policy for the board of directors and the executive board, including</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, and • a description of the criteria on which the balance between the individual components of the remuneration is based. <p>The remuneration policy should be approved by the general meeting 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 set out in the annual report, which is approved by the general meeting of the company and published on the company's website.</p>
<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 linkage be ensured between remuneration for governing body members, expected risks and the value creation for shareholders in the short and long terms, • there be clarity about performance criteria and measurability for award of variable components, • there be criteria ensuring that qualifying periods for variable components in remuneration agreements are longer than one calendar year, and • an agreement is made which, in exceptional cases, entitles the company to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be misstated. 	Yes			<p>The remuneration policy is set out in the annual report. The Remuneration Committee is responsible for the specific agreement on the remuneration of the Board of Management.</p> <p>ALK has the right to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proves to be manifestly and significantly misstated.</p>
<p>4.1.3. The Committee recommends that remuneration of members of the board of directors does not include share options.</p>	Yes			<p>The members of the Board of Directors receive a fixed fee and are not offered any share options, warrants or other incentive plans.</p>

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4.1.4. The Committee recommends that if share-based remuneration is provided, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should have a maturity of at least three years from the date of allocation.	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 following the AGM. The present value at the date of grant of options granted in any one year may not exceed 30% of the combined salaries and pension of the Board of Management. 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.
4.1.5. The Committee recommends that agreements on termination payments should not amount to more than two years' annual remuneration.	Yes			No severance agreements that exceed the customary terms have been made with the company's Board of Management.
<i>4.2. Disclosure of the remuneration policy</i>				
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.	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.
4.2.2. The Committee recommends that the proposed remuneration for the board of directors for the current financial year be approved by the shareholders at the general meeting.	Yes			The annual general meeting adopts the proposal for remuneration of the Board of Directors for the current financial year.
4.2.3. The Committee recommends that the total remuneration granted to each member of the board of directors and the executive board by the company and other companies in the group, including information on the most important contents of retention and retirement/resignation schemes, be disclosed in the annual report and that the linkage with the remuneration policy be explained.		Yes		<p>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.</p> <p>The total remuneration to the Board of Management includes any pension contributions. No other special pension schemes have been established for the Board of Directors or the Board of Management.</p> <p>ALK does not comply with 4.2.3 regarding publication of total remuneration granted to each member of the Board of Management. In the opinion of the company, the most essential part is the total remuneration and any increase or decrease in this remuneration.</p>

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5. Financial reporting, risk management and audits				
<i>5.1. Identification of risks and transparency about other relevant information</i>				
5.1.1. The Committee recommends that the board of directors in the management commentary review and account for the most important strategic and business-related risks, risks in connection with the financial reporting as well as for the company's risk management.	Yes			<p>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.</p> <p>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>				
5.2.1. The Committee recommends that the board of directors decide whether to establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.	Yes			ALK has established a Code of Conduct and a whistleblower scheme. The whistleblower scheme was implemented in 2013.
<i>5.3. Contact to auditor</i>				
5.3.1. The Committee recommends that the board of directors ensure regular dialogue and exchange of information between the auditor and the board of directors, including that the board of directors and the audit committee at least once a year meet with the auditor without the executive board present. This also applies to the internal auditor, if any.	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>
5.3.2. The Committee recommends that the audit agreement and auditors' fee be agreed between the board of directors and the auditor on the basis of a recommendation from the audit committee.	Yes			The audit engagement letter and auditors' remuneration are agreed between the Board of Directors and the auditors at the recommendation of the Audit Committee.