

To the board of directors and the executive board

Copenhagen, 20 December 2011

### **Statement on corporate governance in the annual report**

The rules covering companies listed on NASDAQ OMX Copenhagen (the Stock Exchange) stipulate that Danish companies admitted to trading on the Stock Exchange must give a statement on how they address the Recommendations on Corporate Governance issued by the Committee on Corporate Governance.

The recommendations are aimed at Danish companies whose shares are admitted to trading on a regulated market, as such companies have chosen to be publicly traded companies. For shareholders and other stakeholders to be able to assess the circumstances in publicly traded companies, transparency is important. It is also important that the society, the companies and the investors have a positive attitude to corporate governance, follow developments within this area, take part in the dialogue on corporate governance and are generally positive towards complying with the recommendations.

The Stock Exchange has examined the listed companies' corporate governance statements for the financial year 2010 and later.

Based on the examined statements, the Stock Exchange wishes to inform the companies of its findings so that the companies can incorporate these into their future statements.

The Stock Exchange's examination of a company's statement comprises the following:

- Did the company prepare one overall statement?
- Did the company report on the applicable recommendations?
- Did the company address all the recommendations?

The Stock Exchange does not consider whether an explanation is good or bad – this assessment will expectedly be made by the stakeholders in the market.

174 Danish companies are comprised by Clause 4.3 in the Rules for issuers of shares. These include 21 large cap companies, 32 mid cap companies and 121 small cap companies.

As at today, the Stock Exchange has examined 154 statements. Against this background, it contacted 43 companies, either by letter or by telephone, namely three large cap companies, of which two C20 companies, three mid cap companies and 37 small cap companies.

*Findings by the Stock Exchange concerning the companies' preparation of one overall statement etc.* The Danish Financial Statements Act requires that information be included in one statement and published either in the management's review in the annual report or on the company's website with a reference in the management's review. The statement must be prepared in Danish.

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The Stock Exchange finds that most companies refer to their website for detailed information on the company's corporate governance.

If the information is published on the company's website, the URL address (the Internet address) showing where the statement is posted must be disclosed in connection with the management's review, and in this respect, the Stock Exchange contacted a few companies where the Internet address did not link to a valid page.

The Stock Exchange found that a number of companies refer to the company's website and not to the Internet address linking directly to the statement (the URL address). A few companies have posted their statement in English only on their website.

Furthermore, the Stock Exchange saw examples of companies posting statements from different years on different locations on their website, and the Stock Exchange also found that the companies differ greatly as to where they post their statements. The Stock Exchange does not take a position on the exact location of the companies' statements, but the Stock Exchange does find it most appropriate to post the statements on the same location each year to make it easier for reader to find the relevant statement and at the same time to follow the company's development from year to year.

The Stock Exchange contacted a number of companies as, having examined their statements, it found that the companies did not concretely address all the recommendations.

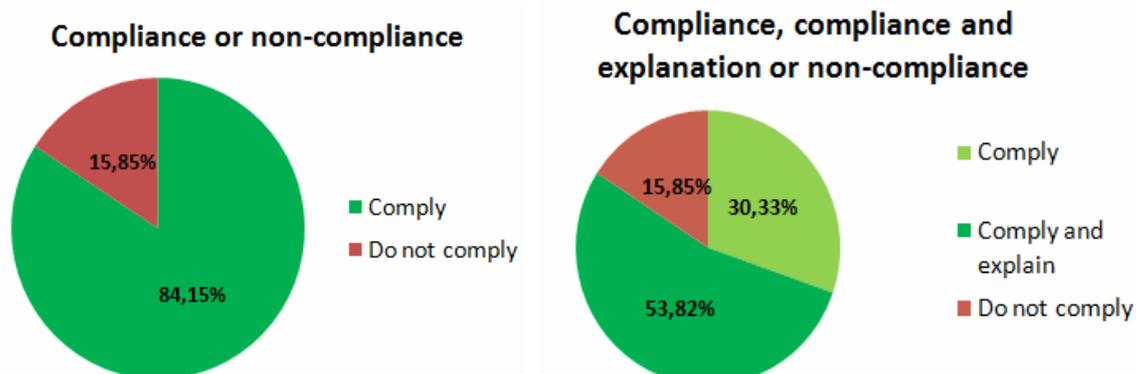
In the Stock Exchange's opinion, the companies must concretely address all 78 recommendations (from the 2011 financial year 79 recommendations). This implies that the statement must clearly show what the company has decided for each of the recommendations. It does not, however, imply that the company must explain how it complies with the individual recommendations. The company is still only required to explain the recommendations with which it does not comply.

Accordingly, the Stock Exchange finds that it is not sufficient to state that "the company complies with all recommendations", even if followed by "other than...".

To ensure that the company has addressed all recommendations and that all information is disclosed to the investors and to make it easier to make comparisons across the companies, the Stock Exchange recommends that the companies apply the form prepared by the Committee on Corporate Governance. In any circumstances, the presentation of the information should be well-arranged, preferably using the same structure (points) as the Recommendations.

#### *Other findings from the Stock Exchange's examination of the statements*

The Stock Exchange finds that the companies are generally good at complying with the recommendations. Also, a number of companies explain how they comply with the recommendations. The Stock Exchange finds that this information is very valuable to the reader.



When preparing the statement, the companies must apply the "comply or explain" principle. Under this principle, the companies must either comply with the Recommendations on Corporate Governance or explain why they do not comply with some or all of the recommendations. In this respect, it is not sufficient to merely explain the reason for non-compliance. The company must also specify its different approach.

The Stock Exchange has seen several examples of companies merely explaining the reason for non-compliance.

### **Revised recommendations**

In August 2011, the Committee on Corporate Governance published its revised Recommendations on Corporate Governance, and the Stock Exchange has incorporated these recommendations in its Rules for issuers of shares.

The revised Recommendations on Corporate Governance of August 2011 are available on:

[www.corporategovernance.dk](http://www.corporategovernance.dk)

The new Recommendations of August 2011 apply to financial years beginning on 1 January 2011 or later. Accordingly, the statements prepared under the new recommendations will become available in connection with the presentation of annual reports in the spring of 2012.

Until then, the companies may apply the Recommendations as amended by the Committee on 8 April 2010 which have applied so far. This also means that companies with a non-calendar financial year may apply the new Recommendations, even if their financial statements cover a financial year beginning before 1 January 2011.

### **Follow-up by NASDAQ OMX Copenhagen**

Until today, the Stock Exchange has examined 154 statements. A number of companies were told to prepare new statements, as the Stock Exchange did not find that they had initially addressed concretely each recommendation. As a starting point, these companies will be warned by the Stock Exchange. A few companies received a complaint from the Stock Exchange, as, by mistake, they had failed to post the statement on their website at the same time as the annual report was published, at the latest.

The Stock Exchange plans to hold an after-work meeting on 18 January 2012 from 2 p.m. to 4 p.m. This will be an opportunity to learn more about the Stock Exchange's examination. An invitation is enclosed.

Should you have any questions, please contact Surveillance on +45 33 93 33 66.

Kind regards,

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Surveillance