



# TDC NET A/S REPORTING ON THE DANISH CORPORATE GOVERNANCE RECOMMENDATIONS 2021

TDC NET A/S (TDC NET) has as an unlisted company chosen to report on the Danish Corporate Governance Recommendations to create further transparency for investors and other stakeholders.

The reporting below is based on the recommendations of the Danish Committee on Corporate Governance of 2 December 2020. The recommendations are available on the website of the Danish Committee on Corporate Governance, [corporategovernance.dk](https://www.corporategovernance.dk). As part of the reporting TDC NET shall list if the company complies with or explain the company's approach to the recommendations.

In 2021 TDC NET complies with all Danish Corporate Governance recommendations as the company either complies with or explains the company's approach to the recommendation. The colour coding below defines whether TDC NET complies or explains its approach to the recommendation. The colour coding appears in the left column in the report.

- TDC NET complies with the recommendation
- TDC NET explains its approach to the recommendation

TDC NET's approach to Corporate Governance is further described in [TDC NET's Annual Report 2021](#) and on TDC NET's website, [tdcnet.dk](https://www.tdcnet.dk).

The report below constitutes a part of the Management Report in the Annual Report 2021.



## 1. Interaction with the company's shareholders, investors and other stakeholders

| No.   | Recommendation  | TDC NET's approach   |
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| 1.1 Communication with the company's shareholders, investors and other stakeholders |   |  |
| 1.1.1.  | The Committee recommends that management through ongoing dialogue and interaction ensures that shareholders, investors and other stakeholders gain the relevant insight into the company's affairs, and that the Board of Directors obtains the possibility of hearing and including their views in its work.               | <p>The Board of Directors has an ongoing and continuous dialogue with the shareholders through an approved communications process and the Board of Directors regularly reviews and approves TDC NET's strategy.</p> <p>Furthermore, two board members elected by the general meeting are employed by consortium investors and the Board of Directors has appointed four board observers who are employed by consortium investors.</p>  |
| 1.1.2.  | The Committee recommends that the company adopts policies on the company's relationships with its shareholders, investors and if relevant other stakeholders in order to ensure that the various interests are included in the company's considerations and that such policies are made available on the company's website. | <p>The Board of Directors ensures an ongoing and continuous dialogue with its shareholders ref section 1.1.1.</p> <p>The relationship between the company and the shareholders are to some level described in the Delegated Authorities for the company and the Rules of Procedures for the Board of Directors. Given the ownership structure of company, the company has not found it necessary to publish the documents on its website.</p> <p>TDC NET has a well-established relation to its debt investors and has in 2021 hosted conference calls in connection with publication of financial</p> |



reports. Given the ownership structure of the company, the company has not published investor related documents on its website.

1.1.3. The Committee recommends that the company publishes quarterly reports.

In 2021, TDC Group published quarterly financial reports in accordance with the recommendation.

## 1.2 The general meeting

1.2.1. The Committee recommends that the Board of Directors organizes the company's general meeting in a manner that allows shareholders, who are unable to attend the meeting in person or are represented by proxy at the general meeting, to vote and raise questions to the management prior to or at the general meeting. The Committee recommends that the Board of Directors ensures that shareholders can observe the general meeting via webcast or other digital transmission.

The company invites its sole shareholder TDC NET Holding A/S to participate in general meetings via a notice to convene. A notice in accordance with the Company's article of associations is sent to TDC NET Holding A/S and the general meetings are convened in a way that supports active ownership and support the conditions set out in this recommendation.

1.2.2. The Committee recommends that proxies and postal votes to be used at the general meeting enable the shareholders to consider each individual item on the agenda.

Given the ownership structure of the company proxies and postal votes are not relevant.

## 1.3 Takeover bids

1.3.1. The Committee recommends that the company has a procedure in place in the event of takeover bids, containing a "road map" covering matters for the Board of Directors to consider in the event of a takeover bid, or if the Board of Directors obtains reasonable grounds to suspect that a

Given the ownership structure of the company and the ongoing dialogue with shareholders described in sections 1.1.1 and 1.1.2, the company has not found it necessary with such a written procedure.



takeover bid may be submitted. In addition, it is recommended that it appears from the procedure that the Board of Directors abstains from countering any takeover bids by taking actions that seek to prevent the shareholders from deciding on the takeover bid, without the approval of the general meeting.

The conditions set out in the Rules of Procedures for the Board of Directors ensure that the shareholders at any time will have an active role in deciding on a potential takeover bid.

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## 1.4 Corporate Social Responsibility

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1.4.1. The Committee recommends that the Board of Directors adopts a policy for the company's corporate social responsibility, including social responsibility and sustainability, and that the policy is available in the management commentary and/or on the company's website. The Committee recommends that the Board of Directors ensures compliance with the policy.

In TDC NET sustainability is an integrated part of the corporate network champions strategy. As the largest national, digital infrastructure provider TDC NET takes full responsibility for running the business in a sustainable manner. The sustainability strategy is developed based on TDC NET's material topics, strategic business priorities, values and core competencies.

The Board of Directors has approved the sustainability strategy including sustainability policy, data ethics policy, partner code of conduct, anticorruption and bribery policy and tax governing principles as well as accession and the adherence to the UN Global Compact.

The strategy and the related policies, objectives and results of the company's work with sustainability are described and are available on the company's website and in an online Sustainability Report which is published as part of the company's responsibilities under the Danish Financial Statements Act and also as an integrated part of the company's Annual Report.



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| 1.4.2. | The Committee recommends that the Board of Directors adopts a tax policy to be made available on the company's website. | Each year the tax guiding principles for the company is presented to the audit committee. The Tax guiding principles are public on the company's website. |
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## 2. The duties and responsibilities of the Board of Directors

| No. 1                                   | Recommendation  | TDC NET's approach   |
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| 2.1. Overall tasks and responsibilities |   |  |
| 2.1.1.                                  | The Committee recommends that the Board of Directors in support of the company's statutory objects according to its articles of association and the long-term value creation considers the company's purpose and ensures and promotes a good culture and sound values in the company. The company should provide an account thereof in the management commentary and/or on the company's website. | The Board of Directors considers the company's purpose on an ongoing level and is an active support for the Management Team to ensure and promote a good culture and sound values in the company.                              |
| 2.1.2.                                  | The Committee recommends that the Board of Directors at least once a year discusses and on a regular basis follows up on the company's overall strategic targets in order to ensure the value creation in the company.  | Annually, strategic seminars are held for the Board of Directors prior of the Board of Directors taking a final position on the company's overall strategy.<br><br>In 2021 the strategy was assessed via multiple discussions. |
| 2.1.3.                                  | The Committee recommends that the Board of Directors on a continuously basis takes steps to examine whether the company's share and capital structure supports the strategy and the long-term value creation in the interest of   | The Board of Directors examines the company's share and capital structure on a continuous basis.   |



the company as well as the shareholders. The Committee recommends that the company gives an account thereof in the management commentary.

On 31 January 2022, TDC NET entered into an aggregated EUR 3.3bn of committed new bank facility in a secured infrastructure finance structure. The proceeds have been used to repay debt at TDC Holding A/S.

The establishment of the new capital structure supports the long-term strategy and value of the company.

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2.1.4. The Committee recommends that the Board of Directors prepares and on an annual basis reviews guidelines for the executive management, including requirements in respect of the reporting to the Board of Directors.

The Board of Directors has approved rules of procedures for the Executive Committee and the rules are reviewed annually. This ensures that the rules of procedure always reflect the business and needs of the company and set out the necessary requirements for the Executive Committee's reporting to the Board of Directors.

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## 2.2. Members of the Board of Directors

2.2.1. The Committee recommends that the Board of Directors, in addition to a chairperson, appoints a vice chairperson, who can step in if the chairperson is absent and who can generally act as the chairperson's close sparring partner.

On 8 December 2021 the board was strengthened with 6 new board members and a vice chairman was appointed to the Board of Directors.

2.2.2. The Committee recommends that the chairperson in cooperation with the individual members of the Board of Directors ensures that the members up-date and supplement their knowledge of relevant matters, and that the members' special knowledge and qualifications are applied in the best possible manner.

An assessment of the board members' required skills and experience was made in connection with onboarding of new board members in December 2021.



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| 2.2.3. | <p>The Committee recommends that if the Board of Directors, in exceptional cases, requests a member of the Board of Directors to take on special duties for the company, for instance, for a short period to take part in the daily management of the company, the Board of Directors should approve this in order to ensure that the Board of Directors maintains its independent overall management and control function. It is recommended that the company publishes any decision on allowing a member of the Board of Directors to take part in the daily management, including the expected duration thereof.</p> | <p>At this time, the Board of Directors has not requested any members of the Board of Directors to carry out special tasks for the company. If the Board of Directors at a later stage would feel induced to request a board member to carry out such special tasks, this will be done in accordance with this recommendation.</p> |
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### 3. The composition, organization and evaluation of the Board of Directors

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| No. 1 | Recommendation | TDC NET's approach |
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#### 3.1. Composition

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| 3.1.1. | <p>The Committee recommends that the Board of Directors on an annual basis reviews and in the management commentary and/or on the company's website states</p> <ul style="list-style-type: none"> <li>• which qualifications the Board of Directors should possess, collectively and individually, in order to perform its duties in the best possible manner, and</li> </ul> <p>the composition of and diversity on the Board of Directors.</p> | <p>The Board of Directors annually reviews the composition of and diversity on the Board of Directors. The information is available in the Management Report in the Annual Report and on the company's website.</p> <p>As part of the Board of Directors' annual evaluation, the board assesses whether the board members have the required skills and experience or if members' expertise should be updated in some respects.</p> <p>For practical reasons set out in this recommendation 3.5.1, the Board of Directors chose not to formally perform an evaluation in 2021 but</p> |
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discussed how to organize its work to create maximum value for the company in 2022. For this reason, the information is not available in the Management Report in the Annual Report or on the website.

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| 3.1.2. | <p>The Committee recommends that the Board of Directors on an annual basis discusses the company's activities in order to ensure relevant diversity at the different management levels of the company and adopts a diversity policy, which is included in the management commentary and/or available on the company's website.</p>   | <p>Discussion of diversity at management levels takes place several times a year. TDC NET has set a target of 70(M)/30(W) gender balance across all leadership levels by 2025 and a longer-term ambition towards of moving towards a more equal gender balance.</p> <p>As part of the separation journey TDC NET is working on defining scope for the company's diversity &amp; inclusion policy and working towards finalizing the policy by end 2022.</p> |
| 3.1.3. | <p>The committee recommends that candidates for the Board of Directors are recruited based on a thorough process approved by the Board of Directors. The Committee recommends that in assessing candidates for the Board of Directors – in addition to individual competencies and qualifications – the need for continuity, renewal and diversity is also considered.</p> | <p>The compensation and nomination committee is responsible for the process of recruitment of new candidates to the Board of Directors. This is done based on a process from the Board of Directors that is compliant with the recommendation.</p>  |
| 3.1.4. | <p>The Committee recommends that the notice convening general meetings, where election of members to the Board of Directors is on the agenda - in addition to the statutory items - also includes a description of the proposed candidates'</p> <ul style="list-style-type: none"> <li>• qualifications,</li> </ul>  | <p>A notice convening the general meeting where the agenda including the election of members to the Board of Directors are sent to the company's sole shareholder TDC NET Holding in accordance with this recommendation.</p>   |





- other managerial duties in commercial undertakings, including board committees,
- demanding organisational assignments and
- independence.

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| 3.1.5. | The Committee recommends that members to the Board of Directors elected by the general meeting stand for election every year at the annual general meeting, and that the members are nominated and elected individually. | Members of the Board of Directors elected by the general meeting are up for election every year on the annual general meeting and are nominated and elected individually. |
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### 3.2 The Board of Directors independence

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| 3.2.1. | <p>The Committee recommends that at least half of the members of the Board of Directors elected in general meeting are independent in order for the Board of Directors to be able to act independently avoiding conflicts of interests.</p> <p>In order to be independent, the member in question may not:</p> <ul style="list-style-type: none"> <li>• be or within the past five years have been a member of the executive management or an executive employee in the company, a subsidiary or a group company,</li> <li>• within the past five years have received large emoluments from the company/group, a subsidiary or a group company in another capacity than as member of the Board of Directors,</li> <li>• represent or be associated with a controlling shareholder,</li> <li>• within the past year have had a business relationship (e.g. personally or indirectly as a partner or an</li> </ul> | <p>Of the six board members elected by the general meeting three are considered independent.</p> <p>Two board members are employed by consortium investors and thus are not considered independent. Further, a board member was CEO of the parent company TDC Holding A/S in the period 17 February 2020 – 8 December 2022 and therefore not considered independent either.</p> |
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employee, shareholder, customer, supplier or member of a governing body in companies with similar relations) with the company, a subsidiary or a group company, which is significant for the company and/or the business relationship,

- be or within the past three years have been employed with or a partner in the same company as the company's auditor elected in general meeting,
- be a CEO in a company with cross-memberships in the company's management,
- have been a member of the Board of Directors for more than twelve years, or
- be closely related to persons, who are not independent, cf. the above-stated criteria.

Even if a member of the Board of Directors does not fall within the above-stated criteria, the Board of Directors may for other reasons decide that the member in question is not independent.

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| 3.2.2. | The Committee recommends that members of the executive management are not members of the Board of Directors and that members retiring from the executive management does not join the Board of Directors immediately thereafter. | The chairman of the Board of Directors was CEO in the indirect parent company TDC Holding A/S until 8 December 2021. The Board of Directors believes this to be the right composition for TDC NET's Board of Directors given the TDC NET separation journey in 2019 - 2021. |
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### 3.3. Members of the Board of Directors and the number of managerial duties

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| 3.3.1. | The Committee recommends that the Board of Directors and each of the members on the Board of Directors, in connection with the annual evaluation, cf. recommendation 3.5.1., assesses how much time is required to perform the | Board members are encouraged to make such assessment when nominated to the Board of Directors, as well as on an ongoing basis. The Board of Directors plans to include this assessment |
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board duties. The aim is for the individual member of the Board of Directors not to take on more managerial duties than the board member in question is able to perform in a satisfactory manner.

in the 2022 evaluation. For practical reasons described in recommendation 3.5.1, an evaluation was not performed in 2021.

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### 3.3.2.

The Committee recommends that the management commentary, in addition to the statutory requirements, contains the following information on the individual members of the Board of Directors:

- position, age and gender,
- competencies and qualifications relevant to the company,
- independence,
- year of joining the Board of Directors,
- year of expiry of the current election period,
- participation in meetings of the Board of Directors and committee meetings,
- managerial duties in other commercial undertakings, including board committees, and demanding organisational assignments, and
- the number of shares, options, warrants, etc. that the member holds in the company and its group companies and any changes in such holdings during the financial year.

The Management Report in the Annual Report includes all relevant information as applicable, in line with this recommendation, with the exemption of information about each individual board member's competencies and qualifications relevant to the company given reasons set out in recommendations 3.1.1. and 3.5.1.

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## 3.4 Board committees

### 3.4.1.

The Committee recommends that the management describes in the management commentary:

The Board of Directors has established an audit committee, a compensation and nomination



- the board committees' most significant activities and number of meetings in the past year, and
- the members on the individual board committees, including the chairperson and the independence of the members of the committee in question.

In addition, it is recommended that the board committees' terms of reference are published on the company's website.

committee and a health and safety committee to supervise certain fields and prepare cases to be decided on subsequently by the Board of Directors. The recommended information is published in the Management Report in the Annual Report (to some extent with reference to the company's website) and on the company's website.

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#### 3.4.2.

The Committee recommends that board committees solely consist of members of the Board of Directors and that the majority of the members of the board committees are independent.

The committees solely consist of members of the Board of Directors, however, for practical reasons covered in 3.2.1, the majority of the members of the board committees are not independent.

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#### 3.4.3.

The Committee recommends that the Board of Directors establishes an audit committee and appoints a chairperson of the audit committee, who is not the chairperson of the Board of Directors. The Committee recommends that the audit committee, in addition to its statutory duties, assists the Board of Directors in:

- supervising the correctness of the published financial information, including accounting practices in significant areas, significant accounting estimates and related party transactions,
- reviewing internal control and risk areas in order to ensure management of significant risks, including in relation to the announced financial outlook,
- assessing the need for internal audit,
- performing the evaluation of the auditor elected by the general meeting,

The Board of Directors has set up an audit committee which complies with the recommendation.



- reviewing the auditor fee for the auditor elected by the general meeting,
- supervising the scope of the non-audit services performed by the auditor elected by the general meeting, and
- ensuring regular interaction between the auditor elected by the general meeting and the Board of Directors, for instance, that the Board of Directors and the audit committee at least once a year meet with the auditor without the executive management being present.

If the Board of Directors, based on a recommendation from the audit committee, decides to set up an internal audit function, the audit committee must:

- prepare terms of reference and recommendations on the nomination, employment and dismissal of the head of the internal audit function and on the budget for the department,
- ensure that the internal audit function has sufficient resources and competencies to perform its role, and
- supervise the executive management's follow-up on the conclusions and recommendations of the internal audit function.

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3.4.4.

3.4.4. The Committee recommends that the Board of Directors establishes a nomination committee to perform at least the following preparatory tasks:

- describing the required qualifications for a given member of the Board of Directors and the executive management, the estimated time required for

The Board of Directors has set up a compensation and nomination Committee which fulfils the recommended preparatory tasks.

For practical reasons the company has chosen to establish the compensation committee and



performing the duties of this member of the Board of Directors and the competencies, knowledge and experience that is or should be represented in the two management bodies,

- on an annual basis evaluating the Board of Directors and the executive management's structure, size, composition and results and preparing recommendations for the Board of Directors for any changes,
- in cooperation with the chairperson handling the annual evaluation of the Board of Directors and assessing the individual management members' competencies, knowledge, experience and succession as well as reporting on it to the Board of Directors,
- handling the recruitment of new members to the Board of Directors and the executive management and nominating candidates for the Board of Directors' approval,
- ensuring that a succession plan for the executive management is in place,
- supervising executive managements' policy for the engagement of executive employees, and supervising the preparation of a diversity policy for the Board of Directors' approval.

nomination committee as one joined committee (the compensation and nomination committee).

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#### 3.4.5.

The Committee recommends that the Board of Directors establishes a remuneration committee to perform at least the following preparatory tasks:

- preparing a draft remuneration policy for the Board of Directors' approval prior to the presentation at the general meeting,

The Board of Directors has set up a compensation and nomination committee, reference is made to section 3.4.6.

The compensation and nomination committee determines the remuneration and other employment terms for members of the



- providing a proposal to the Board of Directors on the remuneration of the members of the executive management,
- providing a proposal to the Board of Directors on the remuneration of the Board of Directors prior to the presentation at the general meeting,
- ensuring that the management's actual remuneration complies with the company's remuneration policy and the evaluation of the individual member's performance, and
- assisting in the preparation of the annual remuneration report for the Board of Directors' approval prior to the presentation for the general meeting's advisory vote.

Management Team and annually approves the overall principles for the company's bonus and other short-term or long-term incentive programs.

The Board of Directors considers it appropriate that a committee of the Board of Directors is able to work in more detail with the company's current remuneration policy for the Board of Directors and the Management Team. The compensation and nomination committee reports to the entire Board of Directors on an ongoing basis.

Further, the compensation and nomination committee does not assist with the preparation of an Annual Remuneration Report as such report is not produced.

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### 3.5. Evaluation of the Board of Directors and the executive committee

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#### 3.5.1.

The Committee recommends that the Board of Directors once a year evaluates the Board of Directors and at least every three years engages external assistance in the evaluation. The Committee recommends that the evaluation focuses on the recommendations on the Board of Directors' work, efficiency, composition and organisation, cf. recommendations 3.1.-3.4. above, and that the evaluation as a minimum always includes the following topics:

- the composition of the Board of Directors with focus on competencies and diversity

At an extraordinary general meeting on 8 December 2021 the Board of Directors was strengthened with six new board members bringing the number of board members from five to a total of nine including three employee-elected board members.

For this reason, the Board of Directors chose not to formally evaluate its performance in 2021 but discussed how to organize its work to create maximum value for the company in 2022. The Board of Directors plans to evaluate its



- the Board of Directors and the individual member's contribution and results,
- the cooperation on the Board of Directors and between the Board of Directors and the executive management,
- the chairperson's leadership of the Board of Directors,
- the committee structure and the work in the committees,
- the organisation of the work of the Board of Directors and the quality of the material provided to the Board of Directors, and

performance in 2022 and organize the evaluation to comply with this recommendation.

the board members' preparation for and active participation in the meetings of the Board of Directors.

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3.5.2.

The Committee recommends that the entire Board of Directors discusses the result of the evaluation of the Board of Directors and that the procedure for the evaluation and the general conclusions of the evaluation are described in the management commentary, on the company's website and at the company's general meeting.

The entire Board of Directors is involved in and approves the process for the annual evaluation and discusses the results of the it.

For reasons described in section 3.5.1, the general conclusions for 2021 are not described in the Management Report, on the company's website or on the company's general meeting.

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3.5.3.

The Committee recommends that the Board of Directors at least once a year evaluates the work and results of the executive management according to pre-established criteria, and that the chairperson reviews the evaluation together with the executive management. In addition, the Board of Directors should on a continuous basis assess the need for changes in the structure and composition of the executive management, including in respect of diversity,

The task of evaluating the work and results of the Management Team and assessing the need for change and structure and composition of the Management Team is delegated to the compensation and nomination committee that performs the task in accordance with the recommendation. The compensation and nomination committee shares and discusses the results with the Board of Directors.

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succession planning and risks, in light of the company's strategy.

## 4. Remuneration of management

| No.  | Recommendation   | TDC NET's approach   |
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| 4.1. Remuneration of the Board of Directors and the executive management |  |  |
| 4.1.1.   | The Committee recommends that the remuneration for the Board of Directors and the executive management and the other terms of employment/service is considered competitive and consistent with the company's long-term shareholder interests.      | Remuneration for the Board of Directors and the Management Team is compared using external salary benchmarks provided and is thus considered competitive and consistent with the company's long-term shareholder interest.   |
| 4.1.2.   | Committee recommends that share-based incentive schemes are revolving, i.e. that they are periodically granted, and that they primarily consist of long-term schemes with a vesting or maturity period of at least three years.                    | The company does not use share-based remuneration.   |
| 4.1.3.   | The Committee recommends that the variable part of the remuneration has a cap at the time of grant, and that there is transparency in respect of the potential value at the time of exercise under pessimistic, expected and optimistic scenarios. | The cap for the short-term incentive program is 100% and 72% for the long-term incentive program. Setting of targets and calculation is done in collaboration between the Management Team and the Board of Directors and frequent forecasts are provided for the organization. |



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| 4.1.4. | The Committee recommends that the overall value of the remuneration for the notice period, including severance payment, in connection with a member of the executive management's departure, does not exceed two years' remuneration including all remuneration elements.   | No agreements have been made or will be made on termination payments that amount to more than two years' annual remuneration.  |
| 4.1.5. | The Committee recommends that members of the Board of Directors are not remunerated with share options and warrants.  | The Board of Directors receives fixed compensation only and has no incentive schemes.  |
| 4.1.6. | The Committee recommends that the company has the option to reclaim, in whole or in part, variable remuneration from the Board of Directors and the executive management if the remuneration granted, earned or paid was based on information, which subsequently proves to be incorrect, or if the recipient acted in bad faith in respect of other matters, which implied payment of a too large variable remuneration. | <p>A provision of claw back is incorporated in service agreements for Management Team members, providing offsets in any variable payment either partial or in whole payment in accordance with the provision.</p> <p>The Board of Directors does not receive variable remuneration, reference is made to recommendation 4.1.5.</p> |

## 5. Risk management

| No.  | Recommendation  | TDC NET's approach   |
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| 5.1. Identification of risks and openness in respect of additional information |   |  |
| 5.1.1.   | The Committee recommends that the Board of Directors based on the company's strategy and business model | The company has an Enterprise Risk Management framework, anchored in Finance, that secure that |



considers, for instance, the most significant strategic, business, accounting and liquidity risks. The company should in the management commentary give an account of these risks and the company's risk management.

the key strategic and business risks are identified, assessed, documented and responded to. The key risks facing TDC NET are reviewed continuously by the executive management team and reported biannually to the audit committee.

Risks in relation to the financial reporting and financial position of the company are evaluated on an ongoing basis by the audit committee.

The audit committee reports to the Board of Directors.

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5.1.2.

5.1.2. The Committee recommends that the Board of Directors establishes a whistleblower scheme, giving the employees and other stakeholders the opportunity to report serious violations or suspicion thereof in an expedient and confidential manner, and that a procedure is in place for handling such whistleblower cases.

The company has a whistleblower scheme in place. The whistleblower scheme gives employees and other affiliates the possibility to prompt, confidential – and if desired – anonymous report irregularities, offensive behaviour and the like. A procedure for handling such whistleblower reports is in place.

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