

15 March 2012

Published on [www.HplusH.com/governance\\_statement](http://www.HplusH.com/governance_statement)

## Statutory corporate governance statement for the 2011 financial year, cf. section 107b of the Danish Financial Statements Act

(This statement forms part of management's review in H+H International A/S's annual report for the accounting period 1 January to 31 December 2011)

The sections below headed 'Composition and function of management bodies' and 'Internal control and risk management systems for the financial reporting process' are covered by the auditors' report in H+H International A/S's annual report for 2011, whereas the other information in this *Statutory corporate governance statement for the 2011 financial year, cf. section 107b of the Danish Financial Statements Act* is not covered by the auditors' report in H+H International A/S's annual report for 2011.

### COMPOSITION AND FUNCTION OF MANAGEMENT BODIES

H+H International A/S has a two-tiered management structure consisting of the Board of Directors and the Executive Board, where the Executive Board is subordinate to the guidelines and decisions of the Board of Directors. There is no overlap between the members of the Board of Directors and the Executive Board. The Board of Directors is responsible for the overall and strategic management, while the Executive Board is responsible for day-to-day management with reference to the Board of Directors. The tasks of the Board of Directors and the Executive Board, respectively, are further described in the Board of Directors' rules of procedure and the Board of Directors' instructions for the Executive Board. These tasks include those stipulated in the Danish Companies Act, sections 115 (tasks of the Board of Directors) and 117 (tasks of the Executive Board).

The Board of Directors consisted of six members until the annual general meeting in April 2011 and five thereafter, all elected by the general meeting. The Board of Directors has established three committees: an Audit Committee, a Remuneration Committee and a Nomination Committee, each consisting of three board members. The Chairman and Deputy Chairman of the Board of Directors are members of all three committees, and the remaining board members are each member of one committee. The Audit Committee assists the Board of Directors in the supervision of issues concerning accounting, auditing and internal controls. The Remuneration Committee oversees developments in salary and bonus systems, including whether incentive programmes promote continuous and long-term value creation for shareholders. The Remuneration Committee also prepares recommendations to the Board of Directors on remuneration policy and overall guidelines for incentive pay to management. The Nomination Committee assists e.g. the Chairman of the Board of Directors in carrying out the Board of Directors' self-evaluation as well as in identifying and recommending the candidates that the Board of Directors should propose to the general meeting based on the Board of Directors' competence profile and the conclusions from the Board of Directors' self-evaluation process. The specific mandate for each committee can be found on the company's website, [www.HplusH.com](http://www.HplusH.com).

The Executive Board consists of two members: the CEO and the CFO.

The general meeting of H+H International A/S has approved *Remuneration guidelines for the Board of Directors and the Executive Board, including general guidelines for incentive pay to the Executive Board*. The purpose of the guidelines is to ensure that the remuneration packages support both the short- and the long

15 March 2012

Published on [www.HplusH.com/governance\\_statement](http://www.HplusH.com/governance_statement)

term goals of the company and that the remuneration level is aligned with the shareholders' interests in increased value creation. Under the guidelines, the members of the Board of Directors may only receive remuneration in the form of a fixed cash fee approved by the annual general meeting in the financial year concerned. In light of the Chairman's and the Deputy Chairman's additional tasks and responsibilities, the Chairman shall receive a fee that is 2 times and the Deputy Chairman a fee that is 1.5 times the standard fee paid to ordinary members. Contrary, the members of the Executive Board may receive both a fixed annual salary as well as incentive pay in the form of a performance-based short-term incentive pay scheme (cash incentives) and a performance-based long-term incentive pay scheme (share-based incentives). The members of the Executive Board do also receive work-related benefits pursuant to normal market practices (e.g. company car, free cell phone etc.). The incentive pay schemes contain performance criteria are related to certain company-related key performance indicators (KPIs – i.e. EBIT, EBITDA, PBT, EPS, ROE, increases in share price etc.) and/or certain individual key performance criteria, whether financial or non-financial in nature (e.g. execution of specific strategic projects (turnaround plans, acquisition plans, achievements within research & development etc.). The total incentive pay may (when valued at the time of the initiation of the vesting period and calculated in accordance with the IFRS) not exceed 80% of the executive board member's fixed annual salary in the specific financial year.

## **INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS FOR THE FINANCIAL REPORTING PROCESS**

### **General**

H+H International A/S's Board of Directors and Executive Board are ultimately responsible for the Group's risk management and internal control environment in relation to financial reporting, including compliance with relevant legislation and other regulations in relation to financial reporting. The Audit Committee assists the Board of Directors in its responsibilities in this respect by researching and preparing various matters which are then presented to the Board of Directors for information and decision. The Audit Committee held five meetings in 2011.

The Board of Directors and the Executive Board consider that the tone at the top in each H+H subsidiary is essential for good risk management and internal controls in relation to the financial reporting process. The attitude of the Board of Directors and the Executive Board to good risk management and internal controls in relation to financial reporting is therefore constantly emphasised internally.

H+H's risk management, including internal controls in relation to the financial reporting process, is designed to effectively minimise the risk of errors and omissions. The Board of Directors, the Audit Committee and the Executive Board regularly assess material risks and internal controls in relation to the Group's activities and their potential impact on financial reporting. H+H's risk management and internal control environment are developed and improved on an ongoing basis so that they always match the requirements made of a large international group.

The Board of Directors, the Audit Committee and the Executive Board continuously consider material risks and internal controls in relation to the Group's activities as well as the potential impact of these risks and the controls on the financial reporting process.

### **Control environment**

The Board of Directors and the Audit Committee assess H+H's organisational structure and staffing in key areas at least once a year. The Board of Directors or the Executive Board defines and approves overall policies, procedures and controls in key areas in relation to financial reporting. The aim is a well-defined organisational structure, unambiguous reporting lines, delegated authorities and documentation, and appropriate segregation of duties ("the four-eye principle").

15 March 2012

Published on [www.HplusH.com/governance\\_statement](http://www.HplusH.com/governance_statement)

The Audit Committee and ultimately the Board of Directors consider whether there is a need for an internal audit function at least once a year. Given H+H's limited size, and given that existing control procedures and the regular reporting on control activities to the Audit Committee are deemed satisfactory, neither the Audit Committee nor the Board of Directors currently sees any need to set up an internal audit function at H+H International A/S.

The Board of Directors or the Executive Board establish and approve material Group-wide policies, procedures and controls in relation to the financial reporting process, including the *H+H Accounting Manual*, which prescribes processes, internal control measures, segregation of duties, reconciliation, approval, authorisation, attestation, accounting practices internal and external reporting etc. The approved policies, procedures and controls are distributed and known to all relevant employees in the Group, and the importance of compliance is emphasised on a continuous basis. The Executive Board has entrusted Group Finance with the responsibility of acting as the central controlling function for the Group, and in this role Group Finance monitors and checks compliance with Group policies, procedures etc. at subsidiaries on a continuous basis.

The Executive Board continuously monitors and controls subsidiaries' compliance with relevant legislation, regulations and policies in relation to financial reporting, and the Executive Board regularly reports to the Audit Committee and/or the Board of Directors on any material findings.

#### **Risk evaluation**

The Audit Committee and the Executive Board carry out an overall assessment of the risks related to the financial reporting processes at least once a year. As part of their risk assessment, the Board of Directors, the Audit Committee and the Executive Board continuously consider the risk of fraud and the measures that need to be taken with a view to mitigating or eliminating such risks, including the possibility that the daily management may override controls and manipulate financial reporting.

Based on the outcome of the risk assessment, the Audit Committee and ultimately the Board of Directors consider and approve revisions to the H+H Risk Management Policy. The policy includes a description of the main risks related to the financial reporting process as well as the actions to be taken in order to eliminate or reduce the risks identified.

#### **Control activities, including monitoring**

The definition of the specific control activities is based on the risk assessment at any given time. Group Finance ensures that the financial reporting processes etc. set out in the various H+H policies are implemented and monitored. This ensures a uniform make-up and structure of the Group's internal controls. The aim of H+H's control activities is to ensure that the policies, manuals and other procedures defined by the Board of Directors and/or the Executive Board are adhered to. These activities also ensure that any errors, deviations and omissions are prevented, detected and corrected. H+H regularly implements new financial reporting processes as well as controls intended to assist in further mitigating the risk of misstatement. In 2011, there was, among other things, further work on the implementation of a common ERP platform that ensures harmonisation and standardisation of the financial data process.

The control activities include both manual controls and physical controls (e.g. on the spot stocktakes and interviews of relevant persons in the organisation of the entity being controlled). The control activities are carried out by Group Finance, and sometimes the external auditors or other consultants are called upon to assist with monitoring and controls. The control activities are carried out pursuant to certain set requirements in respect of frequency and documentation, obtaining

15 March 2012

Published on [www.HplusH.com/governance\\_statement](http://www.HplusH.com/governance_statement)

assurance of the existence of the assets claimed in the reporting, reconciliation, the financial analysis to be applied etc. The scope and frequency of the control measures applied with respect to each subsidiary depend on their risk assessment and the risk rating made on an ongoing basis in respect of each subsidiary.

Subsidiaries must follow the *H+H Accounting Manual*. The financial reporting to Group Finance includes budget reporting and monthly reporting, including reporting of deviations, as well as periodic adjustment of the estimates for the year. The reporting includes an income statement, a balance sheet and a cash flow statement, as well as the option of providing notes and other information where relevant or so requested by Group Finance.

Every quarter a management letter is obtained from each subsidiary whereby local managing director declares that the financial reporting presents an accurate picture of the financial status of the specific subsidiary and that the various H+H Group policies etc. have been complied with.

Any weaknesses, lack of control, breach of Group policies etc. or other material deviations identified during the control activities are reported by Group Finance to the Executive Board. Group Finance prepares a report describing the findings made for each control visit to a subsidiary, and this report is provided to and discussed with the Audit Committee. Depending on whether the findings are serious or touch on matters of principle, the findings are ultimately conveyed to the Board of Directors for their information and consideration. In addition to Group Finance's reports for each control visit, H+H International A/S's external auditor reports in the auditors' reports to the Board of Directors on any material weaknesses identified in the Group's internal control systems in relation to the financial reporting process. Less important issues are, however, communicated directly to the Executive Board. When weaknesses or faults in the control system are detected, the Audit Committee oversees whether the Executive Board reacts effectively and whether agreed actions to strengthen risk management and internal controls in relation to the financial reporting process are implemented according to plan.

### **Information and communication**

Each year the Board of Directors reviews and, where relevant, amends the H+H IR Policy, which declares that H+H International A/S's goal is always to fulfil the disclosure obligations in the *Danish Securities Trading Act*. and requires all IR information provided always to be relevant, accurate and timely. The policy clearly sets out who is responsible for H+H International A/S's IR activities, as well as who can be contacted in relation to IR matters.

### **PRINCIPLES FOR GOOD CORPORATE GOVERNANCE**

As a listed company, H+H International A/S is subject not only to the requirements laid down in the Danish Financial Statements Act, but also the *Rules for issuers of shares* issued by NASDAQ OMX Copenhagen A/S. Under these rules, H+H International A/S must disclose whether or not the company complies with the *Recommendations on Corporate Governance* issued by the Committee on Corporate Governance in Denmark, and the reasons for any non-compliance with a recommendation must be given. This reporting is to take place annually in line with H+H International A/S's financial year, i.e. the calendar year, and be published together with the annual report for the financial year in question.

The *Recommendations on Corporate Governance* can be found on [www.corporategovernance.dk](http://www.corporategovernance.dk) as well as in H+H's corporate governance reporting table for the 2011 financial year below.

15 March 2012

Published on [www.HplusH.com/governance\\_statement](http://www.HplusH.com/governance_statement)

## CORPORATE GOVERNANCE REPORT FOR 2011

- Non-compliance with the recommendation
- Partial compliance with the recommendation
- Compliance with the recommendation

Recommendation	Does comply / Does not comply	H+H's reasoning for non-compliance
<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	<span style="color: green;">●</span>	
<i>1.2. Capital and share structures</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.	<span style="color: green;">●</span>	
<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.	<span style="color: green;">●</span>	

15 March 2012

Published on [www.HplusH.com/governance\\_statement](http://www.HplusH.com/governance_statement)

Recommendation	Does comply / Does not comply	H+H's reasoning for non-compliance
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.	●	
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.	●	
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.	●	
<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.	●	
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.	●	
<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.	●	

15 March 2012

Published on [www.HplusH.com/governance\\_statement](http://www.HplusH.com/governance_statement)

Recommendation	Does comply / Does not comply	H+H's reasoning for non-compliance
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.	●	
<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.	●	In 2011, H+H prepared and implemented general Group-wide CSR policies on business ethics and supply chain management which can contribute positively to the Group's development and take account of H+H's external stakeholder groups and the environment. These policies will be gradually developed and supplemented with additional CSR policies in areas such as the environment.
<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.	●	
3.1.2. The Committee <b>recommends</b> that information from the company to the market be published in both Danish and English.	●	
3.1.3. The Committee <b>recommends</b> that the company publish quarterly reports.	●	
<b>4. The tasks and responsibilities of the supreme and the central governing bodies</b>		
<i>4.1. Overall tasks and responsibilities</i>		

15 March 2012

Published on [www.HplusH.com/governance\\_statement](http://www.HplusH.com/governance_statement)

Recommendation	Does comply / Does not comply	H+H's reasoning for non-compliance
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.	●	
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.	●	
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.	●	
4.1.4. The Committee <b>recommends</b> that the supreme governing body annually discuss the company's activities to ensure diversity at management levels, including equal opportunities for both sexes, and that the supreme governing body set measurable objectives and in the management commentary in the annual report and/or on the company's website give an account of both the objectives and the progress made in achieving the objective.	●	<p>H+H International A/S has a very small organisation (fewer than 15 people), and its employees represent a variety of skills, ages, nationalities and genders. At Group level, most of the subsidiaries' management teams are also diverse – for example, more than half of subsidiaries' finance managers are female, and managerial positions at most subsidiaries are held by employees of varying nationalities. Management positions are advertised and filled with the emphasis on skills and without discrimination on the grounds of age, gender, nationality etc.</p> <p>Recognising that the H+H Group is an international organisation rather than a Danish one, the management of the parent company H+H International A/S needs to be diverse in terms of geographical representation, nationality and international experience. Gender diversity is positive, but professional and commercial skills must ultimately take precedence when recruiting managers.</p>



15 March 2012

Published on [www.HplusH.com/governance\\_statement](http://www.HplusH.com/governance_statement)

Recommendation	Does comply / Does not comply	H+H's reasoning for non-compliance
		In the light of this existing diversity, the Board of Directors currently sees no reason to set and pursue specific diversity objectives at Group level or at the parent company H+H International A/S, and so no account is given of such objectives or progress in their achievement in H+H International A/S's annual report or on the company's website.
<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.	●	
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.	●	
<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.	●	
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.	●	
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	●	





15 March 2012

Published on [www.HplusH.com/governance\\_statement](http://www.HplusH.com/governance_statement)

Recommendation	Does comply / Does not comply	H+H's reasoning for non-compliance
work and to create the best possible working conditions for the members, individually and collectively.		
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.	●	
<b>5. Composition and organisation of the supreme governing body</b>		
<i>5.1. Composition</i>		
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.	●	
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.	●	The Board of Directors has established a Nomination Committee which, together with the Chairman of the Board of Directors and on the basis of the Board of Directors' competence profile and the conclusions of the Board of Directors' annual self-evaluation, is to present the Board of Directors with a recommendation on the board members to be nominated at the general meeting for re-election as well as the candidates to be nominated as new

15 March 2012

Published on [www.HplusH.com/governance\\_statement](http://www.HplusH.com/governance_statement)

Recommendation	Does comply / Does not comply	H+H's reasoning for non-compliance
		<p>board members, if any.</p> <p>The current composition of the Board of Directors meets the required skills, but also the need for new talent and diversity. During recruitment of the present Board of Directors, competent female candidates and younger candidates were identified, but no female or younger candidates were included in the final selection once considerations other than gender and age, such as international experience and the interplay between the candidates' skills, were also taken into account.</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>		
<p>5.1.4. The Committee <b>recommends</b> that every year, the management commentary in 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>		
<p><i>5.2. Training of members of the supreme governing body</i></p>		
<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>		
<p>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.</p>		

15 March 2012

Published on [www.HplusH.com/governance\\_statement](http://www.HplusH.com/governance_statement)

Recommendation	Does comply / Does not comply	H+H's reasoning for non-compliance
<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.	●	
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.	●	
<i>5.4. The independence of the supreme governing body</i>		
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>The independent supreme governing body member may not: be, or have been within the last five years, a member of the executive board/managerial staff of the company or an associated company, 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, represent the interests of a controlling shareholder, 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, be, or have been within the last three years, an employee or partner of the external audit firm, hold cross-memberships of governing bodies, have been a member of the supreme governing body for more than 12 years, or have close family ties with persons that are not regarded as independent persons.</p>		

15 March 2012

Published on [www.HplusH.com/governance\\_statement](http://www.HplusH.com/governance_statement)

Recommendation	Does comply / Does not comply	H+H's reasoning for non-compliance
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.	●	
<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.	N/A	
<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.	●	
<i>5.7. Expected time commitment and the number of other executive functions</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.	●	
5.7.2. The Committee <b>recommends</b> that the annual report contain the following information about the members of the supreme governing body: the member's	●	

15 March 2012

Published on [www.HplusH.com/governance\\_statement](http://www.HplusH.com/governance_statement)

Recommendation	Does comply / Does not comply	H+H's reasoning for non-compliance
<p>occupation, 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 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.</p>		
<p><i>5.8. Retirement age</i></p>		
<p>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.</p>	●	
<p><i>5.9. Election period</i></p>		
<p>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.</p>	●	
<p>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.</p>	●	
<p><i>5.10. Board committees</i></p>		
<p>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: the terms of reference for the board committees, 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</p>	●	




15 March 2012

Published on [www.HplusH.com/governance\\_statement](http://www.HplusH.com/governance_statement)

Recommendation	Does comply / Does not comply	H+H's reasoning for non-compliance
the chairmen of the committees, as well as information on which members are independent members and which members have special qualifications.		
5.10.2. The Committee <b>recommends</b> that a majority of the members of a board committee be independent members.	●	
5.10.3. The Committee <b>recommends</b> that the supreme governing body establish an actual <u>audit committee</u> .	●	
5.10.4. The Committee <b>recommends</b> that the following be taken into account in composing the audit committee: the chairman of the supreme governing body should not be chairman of the audit committee, and 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.	●	
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: significant accounting policies significant accounting estimates, related party transactions, and uncertainties and risks, including in relation to the outlook.	●	
5.10.6. The Committee <b>recommends</b> that the audit committee: annually consider whether there is a need for an internal audit function, and if so, formulate recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, and monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function.	●	

15 March 2012

Published on [www.HplusH.com/governance\\_statement](http://www.HplusH.com/governance_statement)

Recommendation	Does comply / Does not comply	H+H's reasoning for non-compliance
<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 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, annually evaluate the skills, knowledge and experience of the individual members of the governing bodies and report such details to the supreme governing body, consider proposals submitted by relevant persons, including shareholders and members of the governing bodies, for candidates for executive positions, and identify and recommend to the supreme governing body candidates for the governing bodies.</p>		
<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: 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, 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 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.</p>		
<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>		



15 March 2012

Published on [www.HplusH.com/governance\\_statement](http://www.HplusH.com/governance_statement)

Recommendation	Does comply / Does not comply	H+H's reasoning for non-compliance
<i>5.11. Evaluation of the performance of the supreme governing body and the executive board</i>		
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.	●	
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.	●	
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.	●	
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.	●	
<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.	●	

15 March 2012

Published on [www.HplusH.com/governance\\_statement](http://www.HplusH.com/governance_statement)

Recommendation	Does comply / Does not comply	H+H's reasoning for non-compliance
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. The 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.	●	
6.1.4. The Committee <b>recommends</b> that the remuneration policy include: 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.	●	
6.1.5. The Committee <b>recommends</b> that, if the remuneration policy includes variable components, 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 term, there be clarity about performance criteria and measurability for award of variable components, and there be criteria ensuring that vesting periods for variable components of remuneration agreements are longer than one calendar year.	●	
6.1.6. The Committee <b>recommends</b> that remuneration of members of the supreme governing body do not include share or warrant programmes.	●	
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.	●	

15 March 2012

Published on [www.HplusH.com/governance\\_statement](http://www.HplusH.com/governance_statement)

Recommendation	Does comply / Does not comply	H+H's reasoning for non-compliance
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.	●	By mistake a claw-back clause was not included in respect of the incentive pay schemes for the Executive Board applicable for 2011, however, such clause will be implemented with retroactive effect during the spring of 2012.
6.1.9. The Committee <b>recommends</b> that termination payments should not amount to more than two years' annual remuneration.	●	
<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.	●	
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.	●	
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.	●	
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.	N/A	
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.	●	

15 March 2012

Published on [www.HplusH.com/governance\\_statement](http://www.HplusH.com/governance_statement)

Recommendation	Does comply / Does not comply	H+H's reasoning for non-compliance
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.	●	
<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.	●	
<i>7.2. The going concern assumption</i>		
7.2.1. The Committee recommends 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	●	
<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.	●	
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	●	

15 March 2012

Published on [www.HplusH.com/governance\\_statement](http://www.HplusH.com/governance_statement)

Recommendation	Does comply / Does not comply	H+H's reasoning for non-compliance
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.		
<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.	●	
<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.	●	
<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.	●	
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.	●	
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.	●	

15 March 2012

Published on [www.HplusH.com/governance\\_statement](http://www.HplusH.com/governance_statement)

Recommendation	Does comply / Does not comply	H+H's reasoning for non-compliance
<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.	