

## CORPORATE GOVERNANCE

### PRACTICES OF THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

The Board of Directors undertakes the overall management of Sjælsø and determines Sjælsø's goals and strategies and approves the overall budgets and action plans. The Board of Directors also has wide powers to supervise the group and to check that it is being properly managed as required by law and by its articles of association.

Sjælsø's business policy, including its investment, insurance and remuneration policies, are also determined by the Board of Directors. The general guidelines for the work of the Board of Directors are laid down in rules of procedure for the Board of Directors and the Management Board. Among other things, the rules of procedure contain procedures for reporting by the Management Board and for the working methods and tasks of the Board of Directors.

At least six ordinary board meetings are held each year. The Board also meets whenever deemed necessary. The Board of Directors receives regular reports about the affairs of the group from the Management Board.

Members of the Management Board are appointed by the Board of Directors, which lays down their terms and conditions of employment and the framework for their duties. The Management Board is responsible for the day-to-day operations of the group and the development of activities and operations, performance and internal matters. The specific rules guiding the Management Board's powers and business conduct appear from the company's rules of procedure for the Board of Directors and Management Board.

### AUDIT COMMITTEE

Pursuant to EU's Eighth Directive, Sjælsø has set up an audit committee. The members of the audit committee include Holger Dock (chairman of the audit committee), John R. Frederiksen and Henrik Kristian Moltke. All members are members of the Board of Directors elected by the shareholders. Holger Dock and John R. Frederiksen are considered to be independent members.

The audit committee will review and discuss accounting, auditing, control and other matters with Sjælsø's auditors appointed by the shareholders, as well as with the Management Board.

## CORPORATE GOVERNANCE

Sjælsø is committed to meeting high standards of corporate governance. Management therefore regularly reviews developments in this area, including developments in legislation, recommendations and best practice. In 2011, NASDAQ OMX Copenhagen revised its corporate governance recommendations. Sjælsø complies with the corporate governance recommendations with a few exceptions, see sections 2.2, 3.1, 4.1 and 5.10 below. Sjælsø's management believes that these exceptions do not affect the market's or the stakeholders' possibilities of evaluating the Sjælsø group.

Management has carefully considered NASDAQ OMX Copenhagen's recommendations on corporate governance, and the views of the Board of Directors and the Management Board are set out below.

### 1. The role of the shareholders and their interaction with the management of the company

#### 1.1. Dialogue between the company and its shareholders

All announcements from Sjælsø, including stock exchange announcements, annual reports, interim reports and quarterly updates, are made available in Danish and English on Sjælsø's website. The Management Board regularly delivers investor presentations. Investor presentations are also made available on the company's website.

#### 1.2. Capital and share structures

Sjælsø assesses on a current basis whether the group's capital and share structures are optimised and in the shareholders' interests. Sjælsø has only one share class, and no shares confer any special rights on the holder. Sjælsø's articles of association contain no restrictions on ownership or voting rights.

### *1.3. General meetings*

All shareholders are entitled to attend and vote at general meetings. Annual and any extraordinary general meetings are convened in due time for all shareholders to consider business to be transacted at the general meeting. General meetings are in principle conducted by physical attendance. The proxy form applied makes it possible for shareholders to communicate their position on each individual item on the agenda. All members of the Board of Directors and the Management Board attend the company's general meetings.

### *1.4. Takeover bids*

The Board of Directors does not take any initiatives in respect of takeover bids without the approval of the shareholders. The Board of Directors and Management Board see it as their duty to publish any relevant takeover bids.

## 2. The role of stakeholders and their importance to Sjælsø and Sjælsø's corporate social responsibility

### *2.1. Sjælsø's policy in relation to the stakeholders*

Sjælsø seeks an open dialogue with all stakeholders, including shareholders, business relations, employees, the stock market, public authorities and society in general. Sjælsø is committed to a high degree of openness about the group's performance and activities, and its visions and views are included in the annual report.

### *2.2. Corporate social responsibility*

The Board of Directors and the Management Board regularly assess the need for policies in relevant areas, taking into account factors such as the company's activities and size. Currently, the company has not adopted any separate policies governing corporate social responsibility.

## 3. Openness and transparency

### *3.1. Disclosure of information to the market*

All information of significance to shareholders and the stock market is published immediately in accordance with applicable rules. Immediately after such publication, information is submitted to all shareholders and other stakeholders who have signed up to receive announcements electronically. All announcements are published simultaneously in Danish and English. Sjælsø's website also provides access to detailed information about the group's activities, management and business development, etc. Sjælsø has always been committed to providing broad and detailed information about the group. Sjælsø has adopted internal rules concerning disclosure requirements towards NASDAQ OMX Copenhagen, as well as internal rules governing the trading in securities and treatment of inside information by board members, executive officers and employees. These rules are subject to regular review. The Board of Directors has resolved to issue quarterly updates instead of quarterly reports, as such quarterly reports are not considered to add further and better information about group earnings and value creation.

## 4. Duties and responsibilities of the Board of Directors

### *4.1. The overall tasks and responsibilities of the Board of Directors*

The Board of Directors draws up an annual plan for the performance of its duties. For this purpose, the group's overall goals and strategies, including the need for competencies and financial resources, as well as guidelines for risk management, are determined and followed up on. The rules of procedure determine, among other things, the responsibility, authority, duties and restrictions in respect of the Board of Directors' performance of its tasks. The Board of Directors and the Management Board are positive towards increased diversity at management levels. Sjælsø has not decided upon specific goals for increased diversity in the company.

### *4.2. Rules of procedure*

Rules of procedure have always existed for the Board of Directors, describing efficiently and operationally the tasks of the Board of Directors and the Management Board. The rules of procedure are reviewed on a current basis and cover the responsibilities, tasks and duties of both the Board of Directors and the Management Board, including the requirements for the Management Board's reporting to the Board of Directors. At least six board meetings are held annually, at which the Board of Directors and the Management Board discuss the group's general business and financial performance as well as current matters.

#### *4.3. The chairman and the vice chairman of the Board of Directors*

The Board of Directors have always elected a chairman and a vice chairman. The chairman and the vice chairman focus on their specific tasks, which are also described in the rules of procedure for the Board of Directors and the Management Board. The chairman is continually committed to ensuring that the skills of the individual members of the Board of Directors are used optimally. Any involvement by the chairman in the day-to-day management will be based on a board resolution and announced to the public.

### 5. The composition and organisation of the Board of Directors

#### *5.1. Composition*

The need to change the composition and skills represented on the Board of Directors is assessed on a current basis, and the recommendations are complied with when electing new members to the Board of Directors. The executive functions in Danish and foreign businesses, as well as any demanding organisational tasks, of the members of the Board of Directors and Management Board are disclosed in the annual report. Information about candidates nominated for election as new members to the Board of Directors will be announced prior to the general meeting.

#### *5.2. Training of members of the Board of Directors*

Newly elected members of the Board of Directors have been thoroughly introduced to and informed about matters arisen prior to the time when the member joined the Board of Directors. All members of the Board of Directors participate actively in the board work, and their skills and expertise, including any need for updating such skills and expertise, are assessed continuously.

#### *5.3. Number of members of the Board of Directors*

The Board of Directors consists of three to seven members. It is regularly assessed whether the composition of the Board of Directors is appropriate taking into account the company's needs.

#### *5.4. The independence of the Board of Directors*

At least half of the members of Sjælsø's Board of Directors are independent. The chairman, the vice chairman and three board members meet the requirements of independence. Henrik Kristian Moltke is not considered to be independent due to his membership of the company's Board of Directors for more than 12 years.

#### *5.5. Members of the Board of Directors elected by the employees*

Pursuant to Danish law, employees have the right to elect members to the Board of Directors. The employees of Sjælsø have not exercised this right.

#### *5.6. Meeting frequency*

At least six meetings of the Board of Directors are held each year.

#### *5.7. Expected time commitment and number of executive functions*

All members of Sjælsø's Board of Directors recognise the demands in terms of time placed on them by the board work. All members of the Board of Directors allocate sufficient time to their tasks on the Board of Directors, and all members of the Board of Directors are therefore well-prepared for each meeting.

#### *5.8. Retirement age*

The Board of Directors has resolved that the members are eligible for re-election up to and including the year in which they reach the age of 70. The age of the individual board members is disclosed in the annual report.

#### *5.9. Election period*

Each member of the Board of Directors is up for election at the annual general meeting, and the Board of Directors seeks continuously to balance replacement with continuity. The year of the members' first election to the Board of Directors is disclosed in the annual report.

#### *5.10. Board committees*

The Board of Directors has set up an audit committee. The charter of the audit committee is available on the company's website. The Board of Directors has resolved not to set up a nomination committee or a remuneration committee. These tasks are undertaken by the chairman and the vice chairman of the Board of Directors.

### *5.11. Evaluation of the performance of the Board of Directors and the Management Board*

The Board of Directors has initiated procedures for a structured annual evaluation of the performance of the Board of Directors and the Management Board, as well as the interaction between the two bodies.

## 6. Remuneration of members of the Board of Directors and the Management Board

### *6.1. Content and form of the remuneration policy*

The Board of Directors ensures a fair balance at all times between the management members' efforts and their value creation for the group and the remuneration they receive, also based on industry practice. The Board of Directors has prepared a remuneration policy for the company, which has been approved by the shareholders at a general meeting. The remuneration policy is intended to support the establishment of an appropriate balance between fixed remuneration and remuneration determined on the basis of the company's performance in the short and long term. The Board of Directors believes that the bonus and warrant programmes are essential for attracting and retaining highly-qualified staff and that they create a sound balance between the focus on short-term and long-term earnings and value creation for the shareholders of Sjælsø. The members of the Board of Directors do not participate in the group's bonus or warrant programmes. The guidelines provided in the recommendations will be observed in the drafting of future incentive programmes.

### *6.2. Disclosure of the remuneration policy*

The remuneration policy is available on the company's website. The company's annual report contains detailed information about the remuneration of the members of the Board of Directors and the Management Board. Information about retention and severance schemes is also disclosed in the annual report. The remuneration of the Board of Directors is submitted for approval to the shareholders in general meeting.

## 7. Financial reporting

### *7.1. Other relevant information*

The Board of Directors and the Management Board regularly assess whether the annual report and other financial reporting should be supplemented by additional financial or non-financial information.

### *7.2. Going concern assumption*

In connection with its consideration and adoption of the annual report, the Board of Directors considers whether the business is a going concern.

## 8. Risk management

### *8.1. Identification of risks*

The Board of Directors and the Management Board focus continuously on the group's risk management, including the identification, assessment and handling of material risks. In connection with changes in the group's business foundation and scope, the need to adjust the group's risk management tools is continuously assessed.

### *8.2. Whistleblowing*

The Board of Directors has assessed that there is currently no need for the establishment of a whistleblower scheme.

### *8.3. Openness about risk management*

Sjælsø's annual report contains detailed information about the group's risk management methods.

## 9. Audit

### *9.1. Contact to auditor*

The Board of Directors maintains a regular dialogue with the auditors, directly as well as via the audit committee. For one year at a time and after consultation with the Board of Directors, the audit committee and the Management Board discuss with the auditors elected by the general meeting how to adjust the audit work to the group's circumstances, based on the internal controls and the group's complexity. The Board of Directors and the auditors meet at least once every year without the presence of the Management Board.

*9.2. Internal audit*

The Board of Directors has resolved not to establish an internal audit function.