



# Recommendations on corporate governance for listed growth companies

## Corporate governance must support value-creating and responsible management

The Association of Listed Growth Companies has initiated a committee work, the purpose of which is for the committee to provide recommendations for what good corporate governance is, through transparent management processes and a high level of information, to ensure trust in the companies from shareholders, investors and other stakeholders and thus ensure long-term value creation.

This document is a courtesy translation of the Danish version. The Danish version is available on the website ([www.fbv.dk](http://www.fbv.dk)). In case of discrepancies between the English version and the Danish version – the Danish version governs.

The Committee's recommendations are guidelines for "best practice" for the management of listed growth companies in a non-regulated market such as Nasdaq First North and Spotlight Stock Market.

The Committee's recommendations are based on the "Recommendations on Corporate Governance" prepared by the "Committee on Corporate Governance" for listed companies on the regulated market. The same structure, concepts and definitions have been used in substance.

"So why prepare Corporate Governance Recommendations aimed at listed companies on a non-regulated market as well as companies planning an IPO?"

The Association of Listed Growth Companies wants to support companies listed on non-regulated markets and companies planning a listing to start working on the recommendations as early as possible to facilitate the companies' path to investments from institutional investors and ultimately to a listing on a regulated market.

Unlisted companies and companies listed on a non-regulated market are not subject to a legal requirement to prepare a corporate governance report. Resources are often limited in these companies and the work on the implementation of the Recommendations on Corporate Governance can therefore be advantageously distributed over a longer period of time.

The Association of Listed Growth Companies' 28 recommendations should therefore be seen as a set of "Best practices" for corporate governance for companies listed on a non-regulated market and are intended as steps towards companies meeting the requirements of the Committee on Corporate Governance's Recommendations on Corporate Governance.

The Association of Listed Growth Companies does not imagine that the companies that choose to start working with the recommendations can meet all the recommendations in a short time and instead encourages that the recommendations are incorporated into the ongoing work of the boards of directors and the executive management and to an appropriate extent for the companies. Compliance with the recommendations should not take away the focus of value creation in the individual company. Thus, there may be good reasons why the individual company does not comply with one or more of the recommendations on corporate governance. The recommendations are therefore complied with according to the "comply or explain" principle.

No two companies are alike. Therefore, it will vary from company to company how to organize work with and reporting on good corporate governance. The Committee recommends that the companies attach importance to continuous development in their work on the recommendations. To help with the implementation of and reporting on the Recommendations, there is a table in Appendix I that can be used.

# Recommendations

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

Recommendation I.1.

***The Committee recommends that the company adopts a strategy for the company's equity story, which shall be made available on the company's website.***

It is recommended that the Board of Directors, as part of the strategy work, annually implement a specific decision on whether the company's activities are value-creating on the considered time horizon and whether the company still has the capital resources to implement them (e.g., how a growth company can ensure continued high growth and how this will translate into generating positive cash flow).

Recommendation I.2.

***The Committee recommends that the company adopts and disclose a policy for the company's corporate social responsibility, i.e., how the company benefits its customers and the surrounding society.***

Recommendation I.3.

***The Committee recommends that management, through ongoing dialogue, ensures shareholders and other stakeholders' relevant insight into the company's affairs, and that the Board of Directors acquaints with and includes the shareholders' opinions in its work, so that the Board of Directors can best represent the shareholders' views.***

It is recommended that the company regularly makes itself available to and arranges investor meetings either physically or virtually.

Recommendation I.4.

***The Committee recommends that the company's ongoing news flow is consistent and easy to assess, including that the individual news shows how news in company announcements fits into the strategy and affects value creation.***

It is recommended below that the value of the news in company announcements is disclosed, numerically or verbally.

Recommendation I.5.

***The Committee recommends that the company adopts a communication strategy for the publication of information via company announcements, press releases, etc. as well as for communication via social media, chat rooms etc.***

Recommendation I.6.

***The Committee recommends that the company publish quarterly reports or, alternatively, quarterly updates, including mention of developments in the most important financial conditions (valueimpacting factors).***

It is recommended that:

- the quarterly reporting/quarterly update is consistent and market-conform,
- the quarterly reports/quarterly updates contain information on the most recent quarter and the YTD value measured against similar figures for the previous year,
- The quarterly reports/quarterly updates contain quarterly comparative figures for the last two years,
- The quarterly reports/quarterly updates contain information that enables investors to assess the capital position, e.g., liquidity, debt, burn rate, time horizon until the liquidity stock is exhausted (run way),

- The recognition, measurement and classification of accounting items are identical to previous periods and that changes are clearly explained,
- The quarterly reporting/quarterly update contains definitions of the most important key figures.

Recommendation 1.7.

***The Committee recommends that the company prepare profit guidance and that the guidance include the coming financial year.***

It is recommended that:

- the company discloses the main budget assumptions underlying the company's profit expectations,
- the company's upward or downward adjustments are based on the company's most recently disclosed budget assumptions,
- The profit guidance reflect the company's uncertainty regarding the future and that this will take the form of intervals for the most important key figures, e.g., expected ARR, EBITDA etc. In addition to the coming year's profit guidance, the company may choose to disclose the company's financial targets in the longer term.

Recommendation 1.8.

***The Committee recommends that the company strive for the greatest possible transparency on ownership structure, management constraints and lock-up periods. Regarding the ownership structure, it is recommended to provide clear information about shareholders' stated ownership shares (e.g., the information registered by the company with the Danish Business Authority) on the company's website, in addition to any information about ownership that major shareholders have consented to be disclosed on the company's website.***

It is recommended that the company in due time plans the company's future capital structure to avoid conflicts of interest, e.g., in connection with the sale of shares by major shareholders.

Recommendation 1.9.

***The Committee recommends that if persons related to founders, majority shareholders, board members and members of the executive management are employed by the company, the Board of Directors must keep a list of these relationships and at least once a year assess whether it is still appropriate to maintain the employment relationships of the related parties.***

## 2. The duties and responsibilities of the Board of Directors

Recommendation 2.1.

***The Committee recommends that the Board of Directors be composed of competent board members with relevant experience for the individual company (e.g., experience from a listed company, experience with internationalisation, business development, financial matters, etc.) and that the board's overall competence cover the company's needs.***

Recommendation 2.2.

***The Committee recommends that the chairman of the Board of Directors be independent and/or that at least half of the board members elected by the General Meeting are independent, so that the Board of Directors can act independently of special interests.***

In order to be independent, the person concerned must not:

- be or have been a member of the management or managerial staff of the company, a subsidiary or an affiliate within the last 5 years,
- have received more remuneration from the company/group, a subsidiary or an affiliated company in any capacity other than as a member of the Board of Directors,

- represent or be associated with a controlling shareholder,
- within the last year have had a business relationship (e.g., personally or indirectly as a partner or employee, shareholder, customer, supplier or director of companies with a similar connection) with the company, a subsidiary or an affiliated company that is essential to the company and/or the business relationship,
- be or within the last 3 years have been employed or partner in the same company as the company's auditor elected by the General Meeting,
- be a director of a company where there is intersecting management representation with the company,
- have been a member of the Board of Directors for more than 12 years, or
- be closely related to persons who are not independent, as defined in the criteria above.

Notwithstanding the fact that a board member is not covered by the above criteria, the board may decide for other reasons that the member is not independent.

Recommendation 2.3.

***The Committee recommends that members of the executive management should not be included as part of the Board of Directors.***

Recommendation 2.4.

***The Committee recommends that the Board of Directors carry out a board evaluation once a year and that it, among other things, conducts a board evaluation, focuses on the recommendations on the board's work, efficiency, composition and organization.***

It is recommended that the Board of Directors continuously assesses the need for changes in the structure and composition of the Board of Directors, considering, among other things, competencies, diversity, succession plans and strategy.

Recommendation 2.5.

***The Committee recommends that the Board of Directors at least once a year evaluates the work and results of the executive management in accordance with pre-established criteria, and that the chairman subsequently reviews this with the executive management.***

It is recommended that the Board of Directors continuously assesses the need for changes in the structure and composition of the executive management, considering, among other things, diversity, succession plans and strategy.

Recommendation 2.6.

***The Committee recommends that the Board of Directors prepare a budget for profit and cash flow, including a liquidity plan with sufficient liquidity buffer for the next 12 months.***

It is recommended that a contingency plan be prepared if the assumptions behind the liquidity plan (e.g., changes in market conditions) are breached during the year, to ensure the company's continued operations.

It is also recommended that the Board of Directors regularly discusses and prepares a plan B, as a supplement to the contingency plan, which describes how to reduce capital consumption if the expected income is not forthcoming.

Recommendation 2.7.

***The Committee recommends that the Board of Directors continuously assess the company's capital structure and capital needs and evaluate the financing structure and opportunities, while retaining existing and attracting new shareholders in order to achieve the desired shareholder structure.***

It is recommended that the Board of Directors ensure that the company's articles of association allow for sufficient capital raising, e.g., by the company proposing the necessary amendments to the articles of association and the Board of Directors' authorizations at general assemblies.

Recommendation 2.8.

***The Committee recommends that the company has a contingency procedure for takeover attempts that contains a "roadmap" for the matters that the Board of Directors should consider and decide on if a takeover bid has been made or the Board of Directors has a reasonable suspicion that a takeover bid may be made. This is particularly relevant if the market value of the company's shares is significantly below the company's own valuation of the company's value.***

It is recommended below that it is stated in the procedure that the Board of Directors refrains from taking any action, without the approval of the general assembly, which seeks to prevent shareholders from taking a position on the takeover bid.

Recommendation 2.9.

***The Committee recommends that the Board of Directors approves a policy for the company's corporate social responsibility, including social responsibility and sustainability, and that the policy is available in the management report and/or on the company's website.***

Recommendation 2.10.

***The Committee recommends that the board prepares an annual wheel in which the individual responsibilities are incorporated and that the annual wheel is evaluated annually.***

Recommendation 2.11.

***The Committee recommends that the Board of Directors at least once a year evaluates the ongoing reporting and decides on the content, format and frequency.***

### 3. Remuneration of management

Recommendation 3.1.

***The Committee recommends that share-based incentive programs be market-compliant, including that they are revolving, i.e., with periodic allocation, and are primarily long-term with an accrual or maturation period of at least three years.***

It is recommended that warrants/options is not "in-the-money" (the exercise price is below the actual share price) at the time of award.

Recommendation 3.2.

***The Committee recommends that the variable part of the remuneration has a ceiling at the time of award and that there is transparency about the potential value at the time of utilization under respectively, pessimistic, expected and optimistic scenarios.***

It is recommended that the value of the variable part of the remuneration at the time of award is a maximum of 100% of the annual remuneration package.

Recommendation 3.3.

***The Committee recommends that the company prepares a remuneration policy, that the remuneration policy is market-compliant and that the variable part of the remuneration is linked to the most important value-creating conditions for the company, including relevant financial conditions and ESG key figures.***

Recommendation 3.4.

***The Committee recommends that the total value of the executive management's remuneration for the notice period, including severance pay, is market-compliant and does not exceed two years' remuneration including all remuneration shares.***

Recommendation 3.5.

***In order to align the risk profile of the Board of Directors with that of shareholders and to attract qualified board competencies, the Committee recommends that variable remuneration in the form of***

**long-term incentive programmes be considered as an element of the Board of Directors' total remuneration.**

Recommendation 3.6.

**The Committee recommends that the annual report should include transparency regarding executive and board remuneration, including the size and possible dilution effect of incentive programs.**

## 4. Risk management

Recommendation 4.1.

**The Committee recommends that the Board of Directors consider, based on the company's strategy and business models, the most important strategic, operational, and financial risks (e.g., the company's financial leverage and interest rate and foreign exchange risks).**

Recommendation 4.2.

**In order to reduce the company's cost of capital, the Committee recommends that the company explain in the management report the principal risks and the company's risk management and provide sensitivity analyses for the most important risk conditions.**

## Concluding Remarks

The Committee's recommendations are guidelines for "best practice" for the management of companies that have shares admitted to trading on a multilateral trading facility, e.g., Nasdaq First North Growth Market Denmark and Spotlight Stock Market.

The recommendations contained in this document do not cover companies covered by the Recommendations on Corporate Governance for companies admitted to trading on a regulated market or otherwise covered by these recommendations, such as companies admitted to trading on the Nasdaq First North Premier Growth Market.

The recommendations complement the requirements of Danish legislation, including the Danish Companies Act and the Danish Financial Statements Act, company law rules from the EU and the OECD's Principles of Corporate Governance. Danish companies admitted to trading on marketplaces outside Denmark, e.g., Sweden or Norway, can follow the recommendations, taking into account any local conditions that may take precedence.

Sincerely,

**Steffen Heegaard**

*Chairman of the Committee*

### **The Committee consist of:**

Claus Finderup Grove	Director	Konsolidator
Jeppe Krog Rasmussen	Director	Dancann Pharma
Jesper Vestergaard	Certified Advisor	Grant Thornton
Kent Mousten Sørensen	Chairman	Wirtek
Lars Grønkjær	Attorney at law	DLA Piper
Mathias Kofoed Mortensen (observer)	Committee on Corporate Governance	Business Authority
Niels Andersen	Portfolio Manager	Bank Invest
Nikolaj Juhl Hansen	Attorney at law	DreistStorgaard
Søren Brinkmann	Attorney at law	Loeven Law
Søren Skovbølling	Chairman of the Board	Digizuite
Pierre Thomsen	Professor	CBS
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Annex I: Overview of operationalisation of the recommendations