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Danish recommendations on corporate governance for listed growth companies

Corporate governance must support value creation and responsible management

The purpose of the Danish Association of Listed Growth Companies' Danish recommendations on corporate governance for listed growth companies ("Recommendations") is to ensure and strengthen investors' and other stakeholders' trust in companies that follow and report on the Recommendations. This is achieved through transparent and documented management processes and a high level of continuing information. The Danish Association of Listed Growth Companies wants to support long-term value creation and responsible management in the companies that apply and report on the Recommendations.

Background and purpose

The Danish Association of Listed Growth Companies' Recommendations provide "best practice" guidelines for the managements of listed companies whose shares are admitted to trading on multilateral trading facilities ("MTF") such as the Nasdaq First North Growth Market and the Spotlight Stock Market.

The Recommendations are based on the Danish Recommendations for Corporate Governance by the Danish Committee on Corporate Governance and apply the same structure, terminology and definitions.

Companies whose shares are admitted to trading on a regulated market are required by law to follow and report on the Danish Recommendations for Corporate Governance. These reports are important tools for the companies themselves and for institutional and other professional investors. Companies whose shares are admitted to trading on an MTF and other unlisted companies are not required by law to report on the Danish Recommendations for Corporate Governance. However, these companies may benefit from using the Danish Association of Listed Growth Companies' Recommendations if they are seeking investments from institutional investors, working towards getting their shares listed on a regulated market or getting their shares listed on an MTF or a regulated market.

The Recommendations are to be considered a supplement to the requirements provided by Danish legislation, including the Danish Companies Act (*selskabsloven*) and the Danish Financial Statements Act (*årsregnskabsloven*), and the internal rules applicable to the individual market platforms.

Implementation and flexibility

Unlisted companies and companies whose shares are admitted to trading on an MTF often have limited resources, and, therefore, the work with the Recommendations may be incorporated over a long period of time as it will be difficult for many companies to comply with all the Recommendations in a short time.

Therefore, companies are encouraged to continuously incorporate the Recommendations to an extent appropriate to the individual companies' plans and level of development. Compliance with the Recommendations should not take focus away from value creation in the individual company, and a company may have good and natural reasons for not complying with all the Recommendations. Therefore, the companies must apply the comply or explain principle.

Companies are encouraged to supplement the reporting according to the comply or explain principle with future objectives for the individual items in the Recommendations to ensure continuous progress in the work towards full compliance with the Recommendations.

Recommendations

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

Recommendation 1.1.

The Committee recommends that the company adopt a strategy for the company's equity story, which is made available on the company's website

In this respect, the Committee recommends that, at least once a year, the board of directors discuss and, on a regular basis, follow up on the company's overall strategic targets in order to ensure the value creation in the company.

Recommendation 1.2.

The Committee recommends that the management ensure through ongoing dialogue and interaction that shareholders, investors and other stakeholders gain the relevant insight into the company's affairs and that the board of directors has the possibility of hearing and including their views in its work

In this respect, the Committee recommends:

- that the company regularly make itself available for and arrange investor meetings either physically or virtually;
- that, immediately after the publication of financial reports (quarterly, half-year and annual reports) and immediately after the publication of material company announcements, the company consider holding an investor meeting (e.g. online) which is open to the public. Only after that, the Committee recommends holding individual investor meetings.

Recommendation 1.3.

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

Recommendation 1.4.

The Committee recommends that the company adopt a communication policy for the publication of information via company announcements, press releases etc. and for communication via social media, chat rooms etc.

In this respect, the Committee recommends:

- that the company have internally addressed specific scenarios which typically constitute inside information for the company and which must be disclosed via company announcements;
- that there is no publication via company announcements unless it is required by law or the rules of the trading venue.

Recommendation 1.5.

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

In this respect, the Committee recommends that:

- the quarterly reporting/quarterly update be consistent and market-consistent;
- the quarterly reports/quarterly updates contain information on the most recent quarter and YTD 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 and runway;

- the recognition, measurement and classification of accounting items be identical to previous periods and that changes be clearly explained;
- the quarterly reporting/quarterly update define the most important key figures and ratios.

Recommendation 1.6.

The Committee recommends that the company prepare profit guidance and that the guidance include the next financial year

In this respect, the Committee recommends that:

- the company disclose the main budget assumptions underlying the company's profit expectations;
- the company's upward or downward adjustments be based on the company's most recently disclosed budget assumptions;
- the profit guidance reflect the company's uncertainty about the future in the form of intervals for the most important key figures.

Recommendation 1.7.

The Committee recommends that the company strive for the greatest possible transparency of ownership structure, management constraints and lock-up periods

To ensure transparency of the ownership structure, the Committee recommends that the company provide public information about major shareholders' equity interests on its website or in the management commentary. This includes information registered with the Danish Business Authority and any additional ownership information the disclosure of which major shareholders have consented to.

Recommendation 1.8.

The Committee recommends that if persons related to founders, majority shareholders, members of the board of directors and members of the executive management are employed by the company, the board of directors keep a list of such 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 candidates for the board of directors be recruited based on a thorough process approved by the board of directors. The Committee recommends that, in addition to individual competences and qualifications, the need for continuity, renewal and diversity be considered in the assessment of candidates for the board of directors

In this respect, the Committee recommends that the board of directors be composed of competent members with experience relevant to the individual company (e.g. experience from a listed company, experience with internationalisation, business development, financial matters, etc.) and that the board of directors' overall competence cover the company's needs.

Recommendation 2.2.

The Committee recommends that at least half of the members of the board of directors elected by the general meeting be independent in order for the board of directors to be able to act independently avoiding conflicts of interests

In order to be independent, the member must not:

- 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 an associate;
- have received large remuneration amounts from the company/group, a subsidiary or an associate within the past five years in any other capacity than as a member of the board of directors;
- represent or be associated with a controlling shareholder;

- have had a business relationship (e.g. personally or indirectly as a partner or an employee, shareholder, client, customer, supplier or member of a governing body in companies with similar relations) within the past year with the company, a subsidiary or an associate which is significant to 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 appointed by the general meeting;
- be an executive officer of a company with cross-representation of management with 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, see the above criteria; or
- be directly or indirectly dependent on the company for personal financial purposes.

Even if a member of the board of directors does not fall within the above criteria, the board of directors may for other reasons decide that the member is not independent.

Recommendation 2.3.

The Committee recommends that members of the executive management not be included as part of the board of directors

Recommendation 2.4.

The Committee recommends that the board of directors conduct a self-evaluation once a year, focusing, among other things, on the recommendations on the board of director's work, efficiency, composition and organisation

In this respect, the Committee recommends that the board of directors continuously assess the need for changing the structure and composition of the board of directors, considering, among other things, competences, diversity, succession plans and strategy.

Recommendation 2.5.

The Committee recommends that the board of directors evaluate the work and results of the executive management at least once a year in accordance with pre-established criteria and that the chairman subsequently review such evaluation with the executive management

In this respect, the Committee recommends that the board of directors regularly assess the need for changing the structure and composition of the executive management, considering, among other things, competences, diversity, succession plans and strategy.

Recommendation 2.6.

The Committee recommends that the board of directors prepare a budget for profit or loss and cash flow, including a liquidity plan with a sufficient liquidity buffer for the next 12 months

In this respect, the Committee recommends that a contingency plan be prepared to ensure the company's continued operations if the assumptions underlying the liquidity plan (e.g. changes in market conditions) fail during the year.
The Committee also recommends as a supplement to the contingency plan that the board of directors regularly discuss and prepare a plan B which describes how to reduce capital consumption if the expected income does not materialise.
In this respect, the Committee recommends 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' authorisations at general meetings.

Recommendation 2.7.

The Committee recommends that the company have a contingency 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 takeover bid may be submitted. 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

In this respect, the committee recommends that it be stated in the procedure that the board of directors refrains from taking any action, without the approval of the general meeting, to seek to prevent shareholders from taking a position on the takeover bid.

Recommendation 2.8.

The Committee recommends that the board of directors approve policies and/or plans for the company's corporate social responsibility, including social responsibility and sustainability

In this respect, the Committee recommends that the company develop policies and/or plans for the work with and the publication of the company's corporate social responsibility and sustainability initiatives on the company's website and in the annual report.

Recommendation 2.9.

The Committee recommends that the board of directors prepare an annual wheel in which the individual responsibilities are incorporated and that the annual wheel be evaluated annually

The Committee recommends that both the internal and published guidelines and policies adopted be reviewed on an annual basis as a fixed point on the board of directors' annual wheel.

An example of the contents of an annual wheel is attached in annex 2.

Recommendation 2.10.

The Committee recommends that the board of directors prepare and, on an annual basis, review guidelines for the executive management, including requirements for the reporting to the board of directors

The Committee recommends that guidelines on the division of duties between the board of directors and executive management set out the framework for the interaction between the board of directors and the executive management, including e.g. the powers to take action and the division of responsibilities between several members of the executive management. If the board of directors and the executive management require special work procedures, approval of policies and authorisations, this should be stated in the guidelines.

3. Management remuneration

Recommendation 3.1.

The Committee recommends that the company prepare a remuneration policy for the board of directors and the executive management and that the board of directors approve the remuneration policy

The Committee recommends that:

- the remuneration be adjusted to the company's size, market value and level of development;
- the management remuneration be market-consistent;
- variable parts of the remuneration be linked to the key value drivers for the company, including relevant financial and non-financial ratios;
- the remuneration policy be published.

Recommendation 3.2.

The Committee recommends that share-based incentive schemes be market-consistent and revolving, i.e. that they be granted on a regular basis, and that they primarily consist of long-term schemes with a vesting or maturity period of at least three years

In this respect, the Committee recommends that warrants/share options be granted with an exercise price which at least corresponds to the current market price at the date of grant (not "in the money").

Recommendation 3.3.

The Committee recommends that the variable part of the remuneration be capped at the date of grant and that there be transparency of the potential value at the exercise date

In this respect, the Committee recommends that the value of the variable part of the remuneration at the date of grant be capped at 100% of the annual remuneration package.

Recommendation 3.4.

The Committee recommends that the total value of the executive management's remuneration for the notice period, including severance pay, be market-consistent and do not exceed two years' remuneration including all remuneration elements

Recommendation 3.5

The Committee recommends that variable remuneration in the form of long-term incentive schemes be considered as part of the board of directors' total remuneration in order to align the board of directors' risk profile with the shareholders' risk profile and attract qualified members to the board of directors

Recommendation 3.6.

The Committee recommends transparency of the remuneration to the executive management and board of directors in the annual report

In this respect, the Committee recommends that all long-term incentive schemes be summarised in the management commentary, stating any dilution effects of the schemes.

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, including the company's financial leverage and interest rate and foreign exchange risks

In this respect, the Committee recommends that, in the management commentary, the company explain the most significant risks and the company's risk management and provide information on sensitivity analyses for the most significant risk factors.

Yours sincerely
Steffen Heegaard
Chairman of the Committee

In addition, the Committee consists of:

Anne Zeuthen Løkkegaard	Partner	Accura Advokatpartnerselskab
Kent Mousten Sørensen	Chairman of the board of directors	Wirtek A/S
Morten Lehmann Nielsen	CFO	Impero A/S
Nicholas Lerche-Gredal	Partner	DLA Piper Denmark Advokatpartnerselskab

Annex 1
Overview of operationalisation of the Recommendations

Annex 2
Example of an annual wheel