

**COPENHAGEN AIRPORTS A/S**  
**STATEMENT ON CORPORATE GOVERNANCE 2019**

## **Statutory report on corporate governance, cf. section 107b of the Danish Financial Statements Act**

This statement forms part of Management's review in the CPH Annual Report for 1 January – 31 December 2019.

Being a company listed on the regulated market of NASDAQ Copenhagen A/S, CPH is committed to a code of corporate governance prepared by the Committee on Corporate Governance in Denmark. The code, entitled Recommendations on Corporate Governance, is available at [www.corporategovernance.dk](http://www.corporategovernance.dk).

Below is a table (part 1) explaining the position CPH takes on each of the recommendations. The recommendations specify that it is equally legitimate for a company to provide an explanation, as to comply with a specific recommendation, as the key issue is to create transparency in corporate governance matters.

Following the table, the main elements of CPH's internal control and risk management systems in relation to the financial reporting process are discussed and reported for 2019.

## Code of corporate governance

Recommendation	CPH complies	CPH complies partially	CPH does not comply	CPH approach
<b>1. Communication and interaction by the company with its investors and other stakeholders</b>				
<i>1.1. Dialogue between company, shareholders and other stakeholders</i>				
1.1.1. The Committee <b>recommends</b> that the board of directors ensure ongoing dialogue between the company and its shareholders, so that the shareholders gain relevant insight into the company and in order for the board of directors to be aware of the shareholders' views, interests and opinions in relation to the company.	X			CPH's IR policy is to offer a consistently high level of information on CPH's goals, performance and outlook through an active and open dialogue with shareholders and other stakeholders. This is done using, among other media, the company's website, www.cph.dk. CPH's newsletter to shareholders, CPH News, are also to be found on CPH's website.
1.1.2. The Committee <b>recommends</b> that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders, and that the board of directors ensure that the interests of the stakeholders are respected in accordance with company policies.	X			The board of directors has adopted policies to ensure that the interests of key stakeholders, including investors, are respected. The board of directors is committed to ensuring that such interests are respected.
1.1.3. The Committee <b>recommends</b> that the company publish quarterly reports	X			CPH publishes quarterly reports.

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<i>1.2. General meeting</i>				
<p>1.2.1. The Committee <b>recommends</b> that in organising the company's general meeting, the board of directors plans the meeting to support active ownership.</p>	X			<p>CPH encourages by direct contact (e-mail) all registered investors who have submitted their e-mail address via CPH's shareholder portal, that they attend the general meeting. The general meeting is held by physical attendance as directed by the board of directors.</p> <p>Prior to the general meeting, resolutions proposed by the shareholders are discussed objectively and constructively, and at the actual general meeting, the persons who have submitted proposals are given suitable speaking time and an opportunity to substantiate and motivate their proposals.</p>
<p>1.2.2. The Committee <b>recommends</b> that proxies or votes by post for the general meeting allow shareholders to consider each individual item on the agenda.</p>	X			<p>The notice convening the general meeting allows each shareholder to give proxy with respect to each individual item on the agenda.</p>
<i>1.3. Takeover bids</i>				
<p>1.3.1. The Committee <b>recommends</b> that the company set up contingency procedures in the event of takeover bids, from the time that the board of directors has reason to believe that a takeover bid will be made. The contingency procedures should establish that the board of directors should not without the acceptance of the general meeting, attempt to counter the takeover bid by making decisions</p>	X			<p>CPH's board of directors has adopted a "Takeover Defence Manual" with key procedures to be followed in the event of takeover bids.</p> <p>The manual defines the roles and responsibilities of the board of directors and executive management, and it is set out that the board of directors cannot counter a takeover bid without the approval of the general</p>

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which, in reality, prevent the shareholders from deciding on the takeover bid themselves.				meeting by making decisions which in reality prevent the shareholders from deciding on the takeover bid themselves.
<b>2. Tasks and responsibilities of the board of directors</b>				
<i>2.1. Overall tasks and responsibilities</i>				
2.1.1. The Committee <b>recommends</b> that at least once annually the board of directors consider the matters that should be included in the board's performance of its work.	X			The rules of procedure of the board of directors determine the board's tasks. The rules of procedure are reviewed annually. Furthermore, CPH has prepared an annual cycle containing meeting dates and the items to be included in the Board's handling of its tasks. At the end of each year, the board of directors approves the annual cycle for the upcoming year.
2.1.2. The Committee <b>recommends</b> that at least once annually the board of directors consider the overall strategy of the company with a view to ensuring value creation in the company.	X			CPH's board of directors lays down the company's overall strategy each year at a strategy seminar in the spring with a follow-up strategy meeting in the autumn.
2.1.3. The Committee <b>recommends</b> that the board of directors ensure that the company has a capital and share structure which supports that the strategy and long-term value creation of the company are in the best interest of the shareholders and the company, and that the board of directors explain this in the management commentary and/or on the company's website.	X			The board of directors assesses the company's capital and share structure each year with a view to ensuring that CPH has the best long-term structure. CPH's capital and share structures are described in the management's report (under the heading Shareholder information) in CPH's group annual report.

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2.1.4. The Committee <b>recommends</b> that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board's reporting to the board of directors.	X			The board of directors reviews the "Instructions for the Executive Management" each year.
2.1.5. The Committee <b>recommends</b> that at least once annually, the board of directors discuss the composition, developments, risks and succession plans of the executive board.	X			In connection with the annual evaluation of the collaboration between the executive management and the board of directors (see 3.5 below), the board of directors considers the composition of the executive management as well as developments, risks and succession plans.  With respect to the latter, a "Succession Plan for the Executive Management of Copenhagen Airports A/S" exists, which contains a description of how the management of CPH will be continued in the event of any unexpected absence of the chief executive officer/top management.
<i>2.2. Corporate social responsibility</i>				
2.2.1. The Committee <b>recommends</b> that the board of directors adopt policies on corporate social responsibility.	X			CPH has a strategic goal of expanding the airport's positive role in society and contributing to the sustainable travel of the future. CPH's CR policy sets the framework for the work of operating and developing the airport in a responsible manner and in close cooperation with the community of the airport. CR is an

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				integrated part of CPH's business strategy and operations - with a particular focus on social responsibility, the environment, climate and economic sustainability. CPH's work with CR is described in more detail on CPH's website ( <a href="http://www.cph.dk">www.cph.dk</a> ) and in CPH's annual report.
<b>2.3. Chairman and vice-chairman of the board of directors</b>				
2.3.1. The Committee <b>recommends</b> appointing a vice chairman of the board of directors, who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective sparring partner for the chairman.	X			The shareholders at the general meeting elects two deputy chairmen who, together with the chairman, make up the chairmanship. The deputy chairmen can act in the event of the absence of the chairman and also act as effective sparring partners for the chairman. CPH has adopted a Charter for the Chairmanship which describes the tasks, duties and responsibilities of the chairman and the deputy chairmen.
2.3.2. The Committee <b>recommends</b> that, if the board of directors, in exceptional cases, asks the chairman of the board of directors or other board members to perform special activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect should be passed to ensure that the board of directors maintains its independent, general management and control function. Resolutions on the chairman's or other board members' participation in day-	X			The chairman of the board of directors does not perform special tasks for the company and does not participate in the day-to-day management. To the extent it may be required that the chairman performs special duties for the company, a separate resolution by the board of directors would be prepared in advance, which would also be publicly announced.

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to-day management and the expected duration hereof should be publicly announced.				The "Succession Plan for the Executive Management of Copenhagen Airports A/S" includes similar provisions.
<b>3. Composition and organisation of the board of directors</b>				
<i>3.1. Composition</i>				
<p>3.1.1. The Committee <b>recommends</b> that the board of directors annually evaluate and in the management commentary account for</p> <ul style="list-style-type: none"> <li>the competencies that it must have to best perform its tasks,</li> <li>the composition of the board of directors, and</li> <li>the special competencies of each member.</li> </ul>	X			<p>The board of directors has prepared a description of the skills that CPH's board members must possess, which is communicated on CPH's website, <a href="http://www.cph.dk">www.cph.dk</a>. New board members are chosen based on the description before they are presented to the general meeting.</p> <p>The group annual report includes the composition of the board of directors, including on diversity, and on the skills of each of the members.</p>
<p>3.1.2. The Committee <b>recommends</b> that the board of directors annually discuss the company's activities to ensure relevant diversity at management levels and prepare and adopt a policy on diversity. The policy should be published on the company's website.</p>	X			<p>The board of directors discusses the activities of the company to ensure relevant diversity at the company's management levels. The board of directors has adopted a policy on diversity which is published on CPH's website, <a href="http://www.cph.dk">www.cph.dk</a>.</p>
<p>3.1.3. The Committee <b>recommends</b> that the selection and nomination of candidates for the board of directors be carried out through a careful and transparent process</p>	X			<p>The board of directors is aware of the need to have the necessary skills among its members. Before a candidate is proposed for election at a</p>



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<p>approved by the board of directors. When assessing its composition and nominating new candidates, the board of directors should, in addition to the need for competencies and qualifications, take into consideration the need for integration of new talent and diversity.</p>				<p>general meeting, the candidacy is discussed at a board meeting, at which it is also ensured that the requirement for diversity in relation to e.g. age, international experience and gender is taken into account.</p>
<p>3.1.4. The Committee <b>recommends</b> that the notice convening a general meeting where the agenda includes the election of members to the board of directors, include (in addition to the statutory requirements) a description of the qualifications of nominated candidates, including information about the candidates’</p> <ul style="list-style-type: none"> <li>• other executive functions, including positions on executive boards, boards of directors and supervisory boards, including board committees, in Danish and foreign enterprises, and</li> <li>• demanding organisational tasks.</li> </ul> <p>Furthermore, it should be indicated if the candidates to the board of directors are considered independent.</p>	X			<p>Together with the notice convening the general meeting, a description is forwarded of each candidate's qualifications, including information on managerial positions or directorships in other companies and information on whether the candidates are considered to be independent.</p>
<p>3.1.5. The Committee <b>recommends</b> that members of the company’s executive board be not members of the board of directors and that a resigning chief executive officer be not directly elected as chairman or vice chairman for the same company.</p>	X			<p>According to Rules of Procedure members of the company’s executive board cannot be members of the board of directors. Neither the chairman nor the vice chairmen have been chief executive officer at CPH.</p>

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<p>3.1.6. The Committee <b>recommends</b> that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.</p>	X			<p>According to CPH's articles of association, all members elected by the general meeting are up for re-election every year at the annual general meeting.</p>
<p><i>3.2. Independence of the board of directors</i></p>				
<p>3.2.1. The Committee <b>recommends</b> that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests.</p> <p>To be considered independent, this person may not:</p> <ul style="list-style-type: none"> <li>• be or within the past five years have been a member of the executive board, or senior staff member in the company, a subsidiary or an associated company,</li> <li>• within the last five years, have received significant remuneration from the company/group, a subsidiary or an associated company in a different capacity than as member of the board of directors,</li> <li>• represent or be associated with a controlling shareholder,</li> <li>• within the past year, have had significant business relations (e.g. personally or indirectly as partner or employee, shareholder, customer, supplier or member of management in companies with corresponding connection) with the company, a subsidiary or an associated company.</li> </ul>	X			<p>Half of the shareholder-elected board members are deemed independent.</p> <p>CPH's board of directors has three members appointed by Copenhagen Airports Denmark ApS (CAD) who owns 59.4% of the shares of CPH and three independent members, including the chairman. The employees has elected three members to the board of directors.</p> <p>Candidates are elected based on their skills, professional experience, competencies within airport management and ability to collaborate with the other board members in terms of actively contributing his or her knowledge and experience with a view to the continuing development of CPH.</p> <p>The board of directors is particularly aware that the interests of other shareholders must be safeguarded on an equal footing with those of the majority shareholder.</p>

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<ul style="list-style-type: none"> <li>• be or within the past three years have been employed or been a partner in the same company as the auditor elected by the general meeting,</li> <li>• be part of the executive management in a company with cross-management representation in the company,</li> <li>• have been a member of the board of directors for more than 12 years, or</li> <li>• be a close relative with persons who are not considered independent.</li> </ul> <p>Even if a member of the board of directors is not covered by the above criteria, certain conditions may exist that will lead the board of directors to decide that one or more members cannot be regarded as independent.</p>				
<p><i>3.3. Members of the board of directors and the number of other management functions</i></p>				
<p>3.3.1. The Committee <b>recommends</b> that each member of the board of directors assess the expected time commitment for each function so that the member does not take on more functions than he/she can complete at a satisfactory level for the company.</p>	X			<p>The individual members of CPH's board of directors assess the required time commitment to the board work as well as the work of board committees in order for such work to be performed in a manner that is satisfactory to CPH.</p>
<p>3.3.2. The Committee <b>recommends</b> that the management commentary, in addition to the provisions laid down by legislation, includes the following information about the members of the board of directors:</p> <ul style="list-style-type: none"> <li>• the position of the relevant person,</li> <li>• the age and gender of the person in question,</li> </ul>	X			<p>The management's review in CPH's group annual report contains the recommended information on the members of the board of directors.</p>

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<ul style="list-style-type: none"> <li>the person's competencies and qualifications that are relevant to the company</li> <li>whether the member is considered independent,</li> <li>the member's date of appointment to the board of directors,</li> <li>expiry of the current election term,</li> <li>the member's participation in the meetings on the board of directors and committee meetings,</li> <li>other management functions, including memberships in executive boards, boards of directors, and supervisory boards, including board committees in Danish and foreign enterprises and demanding organisational tasks, and</li> <li>the number of shares, options, warrants and similar owned by the member in the company and other group companies, as well as changes to the member's portfolio of the mentioned securities which have occurred during the financial year.</li> </ul>				
<p>3.3.3. The Committee <b>recommends</b> that the annual evaluation procedure, cf. section 3.5, include an evaluation of what is regarded as a reasonable level for the number of other management functions, where the number, level and complexity of the other individual management functions are taken into account.</p>	X			<p>An evaluation of what is regarded as a reasonable level for the number of other management functions is part of the annual evaluation procedure.</p>
<p><b>3.4. Board committees</b></p>				
<p>3.4.1. The Committee <b>recommends</b> that the company publish the following on the company's website:</p>	X			<p>The terms of reference of the board committees are published on CPH's website.</p>

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<ul style="list-style-type: none"> <li>the terms of reference of the board committees,</li> <li>the most important activities of the committees during the year and the number of meetings held by each committee, and</li> <li>the names of the members of each committee, including the chairmen of the committees, as well as information regarding which members are independent members and which members have special competencies.</li> </ul>				<p>The most important activities of the board committees during the year and the number of meetings held by each committee are published on CPH's website.</p> <p>The names of the members of each committee, including the chairmen of the committees, as well as information on which members are independent members and which members have special competencies are published on CPH's website.</p>
<p>3.4.2. The Committee <b>recommends</b> that a majority of the members of a board committee be independent.</p>			X	<p>The board of directors has decided that the chairmanship, consisting of the chairman and the two deputy chairmen, has the preparatory tasks which a nomination and remuneration committee is responsible for. The chairmanship consists of an independent member and two dependent members.</p> <p>The audit and risk management committee consist of an independent member and two dependent members.</p> <p>The above-mentioned composition is a consequence of an overall evaluation of the competencies and respective workloads of the board members.</p>
<p>3.4.3. The Committee <b>recommends</b> that the members of the board of directors set up an <u>audit committee</u> and that a chairman is appointed who is not the chairman of the board of directors.</p>	X			<p>The board of directors of CPH has set up an "Audit and Risk Management Committee". The chairman of the board of directors of CPH is not a member of the Audit and Risk Management Committee.</p>

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<p>3.4.4. 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 board of directors about:</p> <ul style="list-style-type: none"> <li>• significant accounting policies,</li> <li>• significant accounting estimates,</li> <li>• related party transactions, and</li> <li>• uncertainties and risks, including in relation to the outlook for the current year.</li> </ul>	X			<p>The Audit and Risk Management Committee discusses such matters in connection with the presentation of quarterly reports and group annual reports and report to the board of directors of CPH on these matters prior to the approval of quarterly reports and group annual reports.</p>
<p>3.4.5. The Committee <b>recommends</b> that the audit committee:</p> <ul style="list-style-type: none"> <li>• annually assesses the need for an internal audit function and, in such a case, presents mandates and recommendations on selecting, appointing and removing the head of any internal audit function and on the budget of the internal audit function,</li> <li>• ensure that if an internal audit has been established, a description of its functions is available and approved by the board of directors,</li> <li>• ensure that if an internal audit has been established, adequate resources and competencies are allocated to carry out the work, and</li> <li>• monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function.</li> </ul>	X			<p>The Audit and Risk Management Committee makes an annual assessment of the need for an internal audit function and makes recommendations in that respect.</p> <p>The Audit and Risk Management Committee has reached the conclusion that, considering the company's circumstances, the most appropriate procedure is to outsource the internal audit tasks to an external firm of auditors with expertise in this field.</p> <p>In that context, the Audit and Risk Management Committee defines guidelines for such tasks and monitors the executive management's actions on the internal audit's conclusions and recommendations.</p>

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<p>3.4.6. The Committee <b>recommends</b> that the board of directors establish a <u>nomination committee</u>, which is at least, responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• describing the qualifications required by the board of directors and the executive board and for a given position, indicating the time expected to be spent carrying out a specific position, as well as assessing the competencies, knowledge and experience found in the two governing bodies,</li> <li>• annually assessing the structure, size, composition and results of the board of directors and the executive board and recommend any changes to the board of directors,</li> <li>• annually assessing the competencies, knowledge, experience and succession of the individual members of management and report to the board of directors in this respect,</li> <li>• recommending candidates for the board of directors and the executive board, and</li> <li>• proposing an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.</li> </ul>	X			The board of directors has decided that the chairmanship, consisting of the chairman and the two deputy chairmen, have the preparatory tasks which a nomination committee is responsible for.
<p>3.4.7. The Committee <b>recommends</b> that the board of directors establish a <u>remuneration committee</u>, which is at least, responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• recommending the remuneration policy (including the "General Guidelines for incentive-based Remuneration") to the board of directors and the executive board for</li> </ul>	X			The board of directors has decided that the chairmanship, consisting of the chairman and the two deputy chairmen, have the preparatory tasks which a remuneration committee is responsible for.

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<p>approval by the board of directors prior to approval by the general meeting,</p> <ul style="list-style-type: none"> <li>making proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensuring that the remuneration is in compliance with the company's remuneration policy and the assessment of the performance of the persons concerned. The committee should have information on the total remuneration that members of the board of directors and the executive board receive from other companies in the group,</li> <li>recommending a remuneration policy applicable for the company in general and</li> <li>assisting with the preparation of the annual remuneration report.</li> </ul>				
<p>3.4.8. 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>	X			<p>The chairmanship in its capacity of remuneration committee does not consult with the same external advisers as the executive management of the company.</p>
<p><i>3.5. Evaluation of the performance of the board of directors and the executive board</i></p>				
<p>3.5.1. The Committee <b>recommends</b> that the board of directors establish an evaluation procedure for an annual evaluation of the board of directors and the individual members. External assistance should be obtained at least every third year. The evaluation should inter alia include:</p> <ul style="list-style-type: none"> <li>contribution and results,</li> <li>cooperation with the executive board,</li> <li>the chairman's leadership of the board of directors,</li> </ul>	X			<p>The board of directors has defined an evaluation procedure in accordance with the recommendations.</p> <p>In the autumn 2019, an evaluation was carried out of the overall board of directors and the individual members, as well as the collaboration with the executive management and the senior management of CPH. The evaluation was carried out by the Chairman of the board of</p>



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<ul style="list-style-type: none"> <li>the composition of the board of directors (including competencies, diversity and the number of members),</li> <li>the work in the committees and the committee structure, and</li> <li>the organisation and quality of the material that is submitted to the board of directors.</li> </ul> <p>The evaluation procedure and the general conclusions should be described in the management commentary and on the company's website. The chairman should account for the evaluation of the board of directors, including the process and general conclusions on the general meeting prior to the election of the board of directors.</p>				<p>directors and conducted with external assistance through the use of questionnaires and personal interviews. The conclusions were subsequently discussed by the board of directors.</p> <p>The evaluation procedure and the general conclusions is described in the management commentary in the annual report and on the CPH's website. The chairman accounts for the evaluation of the board of directors, including the process and general conclusions on the general meeting.</p>
<p>3.5.2. The Committee <b>recommends</b> that at least once annually, the board of directors evaluate the work and performance of the executive board in accordance with pre-defined criteria. Furthermore, the board of directors should evaluate the need for changes to the structure and composition of the executive board, in light of the company's strategy.</p>	X			<p>The board of directors evaluates the work and performance of the executive management annually in accordance with pre-defined criteria. In addition, the executive management is continually evaluated by the chairman of the board of directors and the chairmanship.</p>
<p>3.5.3. The Committee <b>recommends</b> that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the board of directors and the chief executive officer, and that the outcome of the evaluation be presented to the board of directors.</p>	X			<p>Each year, the chairman of the board of directors and the chief executive officer follow a formal procedure to evaluate the collaboration between the board of directors and the executive management. In the autumn 2019, an evaluation was carried out of the overall board of directors and the individual members, as well as the collaboration with the executive</p>

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				management and the senior management of CPH. The evaluation was carried out by the Chairman of the board of directors and conducted with external assistance through the use of questionnaires and personal interviews. The conclusions were subsequently discussed by the board of directors.
<b>4. Remuneration of management</b>				
<i>4.1. Form and content of the remuneration policy</i>				
<p>4.1.1. The Committee <b>recommends</b> that the board of directors prepare a remuneration policy for the board of directors and the executive board, which includes</p> <ul style="list-style-type: none"> <li>• a detailed description of the components of the remuneration for members of the board of directors and the executive board,</li> <li>• the reasons for choosing the individual components of the remuneration,</li> <li>• a description of the criteria that form the basis for the balance between the individual components of the remuneration, and</li> <li>• an explanation for the correlation between the remuneration policy and the company's long-term value creation and relevant related goals.</li> </ul> <p>The remuneration policy should be approved by the general meeting at least every fourth year and upon any material</p>	X			<p>CPH's remuneration policy for the board of directors and the executive management includes a description of the components of the remuneration for members of the board of directors and the executive management. The policy contains reasons for choosing the individual components of remuneration and a description of the criteria forming the basis of the balance among the individual components of remuneration. The policy includes an explanation for the correlation between the remuneration policy and the CPH's long-term value creation and relevant related goals. The remuneration policy and any changes thereto are submitted to and approved by the company's general meeting at least every fourth year and upon any material amendments. The remuneration policy is published on CPH's website.</p>

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amendments and it should be published on the company's website.				
<p>4.1.2. The Committee <b>recommends</b> that if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> <li>• limits be set on the variable components of the total remuneration package,</li> <li>• a reasonable and balanced composition be ensured between remuneration for members of management and the value creation for shareholders in the short and long term,</li> <li>• clarity be established about performance criteria and measurability for the award of variable components,</li> <li>• it is ensured that variable remuneration not only consists of short-term remuneration components, and that long-term remuneration components must have a vesting or maturity period of at least three years, and</li> <li>• it be ensured that the company has the ability to reclaim, in full or in part, variable components of remuneration that were paid on the basis of information, which subsequently are found to be incorrect.</li> </ul>		X		<p>Bullet points 1-4: The variable parts of the remuneration policy comply with the recommendations.</p> <p>Bullet point 5: CPH believes that it is only reasonable to recover variable components of remuneration in events in which the company has a claim for repayment in accordance with the general principles of Danish law.</p>
4.1.3. The Committee <b>recommends</b> that remuneration of members of the board of directors does not include share options or warrants.	X			CPH does not have share option programs for the members of the board of directors.
4.1.4. The Committee <b>recommends</b> that if, in relation to long-term incentive programmes, a share-based remuneration is used, the programmes should have a	X			CPH does not have share option programs.

Recommendation	CPH complies	CPH complies partially	CPH does not comply	CPH approach
vesting or maturity period of at least three years after being allocated and should be roll-over programmes, i.e. the options should be granted periodically.				
4.1.5. The Committee <b>recommends</b> that the total value of the remuneration relating to the notice period, including severance pay, do not exceed two years of remuneration, including all components of the remuneration.				The total value of the remuneration relating to the notice period, including severance pay, do not exceed two years of remuneration, including all components of the remuneration.
<i>4.2. Disclosure of remuneration</i>				
4.2.1. The Committee <b>recommends</b> that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's statement at the company's general meeting.	X			CPH's remuneration policy and compliance with the policy is explained and justified in the chairman's report to the annual general meeting.
4.2.2. The Committee <b>recommends</b> that shareholders at the general meeting consider proposals for approval of remuneration for the board of directors for the current financial year.	X			At the annual general meeting, shareholders approve proposals for remuneration of the board of directors for the current financial year.
4.2.3. The Committee <b>recommends</b> that the company prepares a remuneration report that includes information on the total remuneration received by each member of the board of directors and the executive board from the company and other companies in the group and associated companies for the last three years, including information on the most important content of retention and resignation arrangements and that the correlation between the			X	CPH has decided to await the requirement in the EU shareholders' rights directive on the preparation of a remuneration report from the financial year 2020. CPH therefore does not prepare a remuneration report for 2019..

Recommendation	CPH complies	CPH complies partially	CPH does not comply	CPH approach
<p>remuneration and company strategy and relevant related goals be explained.</p> <p>The remuneration report should be published on the company's website.</p>				
<p><b>5. Financial reporting, risk management and audits</b></p>				
<p><i>5.1. Identification of risks and transparency about other relevant information</i></p>				
<p>5.1.1. The Committee <b>recommends</b> that the board of directors consider and in the management commentary account for the most important strategic and business-related risks, risks in connection with the financial reporting as well as for the company's risk management.</p>	X			<p>The most important business risks are identified and assessed on a continuous basis by the executive management and discussed in the Audit and Risk Management Committee, which reports to the board of directors on these issues. Similarly, the Committee discusses major changes to the risk situation on a quarterly basis and reports to the board of directors.</p> <p>The most important risks associated with financial reporting are identified in connection with the preparation of the group annual report by the Audit and Risk Management Committee, which reports to the board of directors thereon.</p>
<p><i>5.2. Whistleblower scheme</i></p>				
<p>5.2.1. The Committee <b>recommends</b> that the board of directors establish a whistleblower scheme for expedient</p>	X			<p>The board of directors has established a whistleblower scheme. Under the whistleblower scheme, employees and other CPH stakeholders may submit anonymous or non-anonymous</p>

Recommendation	CPH complies	CPH complies partially	CPH does not comply	CPH approach
and confidential notification of serious wrongdoing or suspicions thereof.				reports made in good faith of concerns they may have about serious matters or unethical conduct in CPH. The system used to register reports is hosted by an independent party that guarantees the security, anonymity and user-friendliness of the system.
<i>5.3. Contact to auditor</i>				
5.3.1. The Committee <b>recommends</b> that the board of directors ensure regular dialogue and exchange of information between the auditor elected by the general meeting and the board of directors, including that the board of directors and the audit committee meet with the auditor elected by the general meeting at least once annually without the executive board present. This also applies to the internal auditor, if any.	X			<p>The dialogue and exchange of information between the auditor and the board of directors is maintained, among other things, by the auditor's review of CPH's quarterly reports and audit of CPH's group annual report. The conclusions of this work are documented in auditors' reports and long-form audit reports.</p> <p>This is supported by a supplementary dialogue in the preparatory quarterly meetings of the Audit and Risk Management Committee, where the auditor attends the consideration of draft quarterly reports and group annual reports and a number of other issues.</p> <p>In connection with the preparatory audit of the group annual report, the auditor reviews certain internal controls in the company's business procedures in relation to financial bookkeeping and reporting.</p> <p>Reporting of this and any recommendations are included in a separate report from the auditor, which the auditor goes through with the Audit</p>

Recommendation	CPH complies	CPH complies partially	CPH does not comply	CPH approach
				<p>and Risk Management Committee in a quarterly meeting.</p> <p>The auditor attends the meeting of the board of directors in which the draft group annual report is submitted and approved.</p> <p>A meeting is held each year, at which the board of directors and auditors meet without the executive management. Each meeting of the Audit and Risk Management Committee begins with a meeting of the Committee with the auditor without the executive management.</p>
<p>5.3.2. The Committee <b>recommends</b> that the audit agreement and auditor's fee be agreed by the board of directors and the auditor elected by the general meeting based on a recommendation from the audit committee.</p>	<p>X</p>			<p>The auditor agreement and the related auditor's fee are agreed between the board of directors and the auditor on the basis of a recommendation from the Audit and Risk Management Committee.</p>

## **Main elements of the company's internal control and risk management system in connection with the financial reporting process**

### ***Reporting on main elements of CPH's internal control and risk management systems in relation to the financial reporting process***

The Group's internal control systems and management guidelines for them are reviewed on an ongoing basis, and any material deviations and changes are reviewed by the Audit & Risk Management Committee (the 'committee'). CPH is focused on a risk management and internal control environment in relation to the presentation of financial statements. The Group's risk management and internal controls in relation to the presentation of financial statements is designed with a view to managing rather than eliminating the risk of errors and omissions in the financial reporting. CPH bases its risk management on the COSO-framework and internal controls in connection with the financial reporting.

### ***Control environment***

The general policies and controls in key areas in connection with the financial reporting process are established by CPH's Finance Department and approved by the Executive Management and the committee. This requires a well-defined organizational structure, well-defined reporting lines, authorization and certification procedures and segregation of duties. The committee reviews the organizational structure and the staffing in key areas at least once a year, including areas related to the financial reporting.

Based on the general policies, procedures, etc., CPH's Finance Department has laid down a number of detailed policies, procedures and internal controls (including minimum requirements for business procedures, internal controls, segregation of duties, reconciliation, approvals, authorizations, certifications, accounting policies, internal and external reporting), a treasury policy (fixing of "lines", "limits", counterparties), a procurement policy, a tax policy and an IT security policy. The policies, procedures and other measures adopted are assessed continuously, including in connection with the preparation of the monthly management accounts. CPH's Finance Department monitors compliance with relevant legislation and other financial reporting regulations and provisions and regularly reports its findings to the committee.



### ***Risk assessment***

The committee makes an annual general risk assessment in relation to the financial reporting process and measures taken to eliminate and/or reduce the risks. The committee considers the risk of fraud and the measures to be taken to reduce and/or eliminate such risk. The committee also considers any possibility of management overriding of controls and manipulating the financial reporting. Decisions on measures to reduce and/or eliminate risks are based on an assessment of materiality and cost/benefit analyses. Significant risks in relation to the financial reporting are described in the notes to the annual report on critical choices and judgments in the accounting policies and critical accounting estimates.

### ***Control activities***

The control activities are based on the risk assessment. The objective of the control activities are to ensure compliance with the policies, procedures adopted and timely prevention, detection and correction of any errors, omissions. The control activities include general IT controls, access controls, automated application controls in IT systems as well as manual and physical controls.

CPH has established a formal consolidated reporting process which includes budgeting and monthly reporting, including deviation reports (relative to budget and the previous year) with ongoing updating of estimates for the year; as a minimum quarterly.

In addition to the income statement, balance sheet and cash flow statement, the financial reporting comprises notes and supplementary information regarding assessment of performance and follow-up on objectives (including key performance indicators).

The preparation of monthly reports is based on a highly systematically planned process which includes closing of the accounts, accrual accounting, recognition and measurement, controlling reconciliation of all material financial items, accounts, etc. and explanations of deviation from the budget and last year.

CPH's accounting, group reporting and preparation of reports, controlling, etc. is carried out by a head office finance function based on a SAP ERP system comprising CPH and its subsidiaries (all in Denmark).

### ***Information and communications processes***

CPH has adopted an information and communication policy which, among other things, sets out the external financial reporting requirements in accordance with current legislation and applicable regulations.

CPH considers it important to comply with applicable disclosure obligations and that the disclosures are full, complete and accurate.

Within the framework applicable to listed companies, CPH has planned open communications, among other things with a view to ensuring that key persons know the Group's significant risks and internal controls in connection with the financial reporting and that all employees are, on a timely, basis provided with relevant information to enable them to carry out their duties.

The information systems are designed with a view to ensuring that CPH at all times can report reliably and carry out control in order to effectively manage the Group operationally, financially and in accordance with current legislation and regulations. The information systems are also designed so that, with the related system and manual controls, they can effectively and appropriately document controls and deviations from goals and policies.

### ***Monitoring the efficiency of the internal control system***

To ensure its effectiveness, the internal risk management and control system requires ongoing monitoring, testing and quality control.

Monitoring takes place by means of regular and/or periodic assessments and controls at relevant levels in the organization. The scope and frequency of such periodic assessments depend mainly on the risk assessments and on the effectiveness of the regular controls.

For periodic assessments, CPH in certain cases employs external consultants with special expertise within the area.

Any weaknesses, control failures, deviations from policies, etc. or other material deviations are reported upwards in the organization in accordance with the internal policies. Any weaknesses, omissions and/or cases of non-compliance are reported to the Executive Management.

Any significant matters are also reported to the committee.

In the long-form audit report, the auditors appointed by the shareholders in general meeting report to the committee and the Board of Directors on any significant weaknesses in the Group's internal control systems in relation to the financial reporting process.

The Board of Directors/the committee monitors that the Executive Management responds effectively to any weaknesses and/or omissions and that agreed measures aimed at strengthening risk management and internal controls in relation to the financial reporting process are implemented according to plan. The Executive Management is responsible for following up on any weaknesses identified.

Please refer to CPH's website, [www.cph.dk](http://www.cph.dk) for composition of management bodies and their committees as well as their functions.