Denmark

GLASS LEWIS

2025 Benchmark Policy Guidelines

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Guidelines Introduction

These guidelines are intended to supplement Glass Lewis' *Continental Europe Benchmark Policy Guidelines* by highlighting the key policies that we apply specifically to companies listed in Denmark. The guidelines outline the relevant regulatory background to which Danish companies are subject, and where it differs from Europe as a whole. Given the growing convergence of the European Union's rules and directives on governance regulations and practices, Glass Lewis has combined our general approach to continental European companies in a single set of guidelines, the *Continental Europe Benchmark Policy Guidelines,* which set forth the underlying principles, definitions, and global policies that Glass Lewis uses when analysing companies in the region.

While our approach to issues addressed in the *Continental Europe Benchmark Policy Guidelines* are not repeated here, we will clearly indicate in these guidelines when our policy for Danish companies deviates from the *Continental Europe Benchmark Policy Guidelines*.

Corporate Governance Background

The Danish Public Companies Act (the "Companies Act") provides the legislative framework for Danish listed companies. The rules of Nasdaq Copenhagen stipulate that listed companies must comply with local corporate governance recommendations, and annually publish a statement on the company's principles for corporate governance in accordance with the Danish Recommendations on Corporate Governance (the "Recommendations"). The Recommendations, which are based on a "comply-or-explain" principle, were originally published in 2001, and most recently revised in 2020 to reflect the implementation of the EU Shareholder Rights Directive II in Denmark. The Recommendations aim to comply with OECD's current Principles of Corporate Governance and to reflect the international development in the field of corporate governance.

Market and Regulatory Updates

Pursuant to the Non-Financial Reporting Directive (NFRD), large public companies in the European Union have been required to report on "non-financial" material environmental, social, and governance issues from fiscal year 2017.

In 2024, the Corporate Sustainability Reporting Directive (CSRD) came into effect and the Danish Government transposed the European directive into domestic law in May 2024. The largest companies must comply with the legislation from the financial year beginning January 1, 2024. The non-financial information will be included in the yearly management report, and will be audited by an auditor. The auditor can be the same or different than the auditor providing assurance of the financial statements.[1]

[1] Act no. 480 of 22/05/2024

Summary of Changes for 2025

Glass Lewis evaluates these guidelines on an ongoing basis and formally updates them on an annual basis. This year we've made noteworthy revisions in the following areas, which are summarized below but discussed in greater detail in the relevant sections of this document:

Virtual Shareholder Meetings

We have updated these guidelines to include our expectation under the benchmark policy regarding the virtual-only shareholder meetings. As discussed in our Continental Europe Benchmark Policy Guidelines, virtual-only shareholder meetings can curb the ability of a company's shareholders to participate in the meeting and meaningfully communicate with company management and directors.

The benchmark policy expects that companies that elect to hold virtual shareholder meetings should aim to replicate in-person shareholder meetings and safeguard shareholder rights as closely as possible.

In egregious cases where inadequate disclosure has been provided to shareholders at the time of convocation, the benchmark policy will generally recommend that shareholders vote against members of the governance committee (or equivalent) or the chair of the board.

Please refer to "Virtual Shareholder Meetings" of these guidelines for further information.

Appointment of Auditors and Authority to Set Fees

We have updated these guidelines in line with our Continental Europe Benchmark Policy Guidelines to include a new section regarding the appointment of auditors and authority to set fees, including for audit of sustainability reporting. We have outlined that when companies provide a shareholder vote on the appointment of an auditor for sustainability reporting, the benchmark policy will generally recommend that shareholders support the company's proposed choice, subject to the company providing sufficient information on the identity of and fees paid to the auditor, as well as the independence and performance of the auditor.

Please refer to "Appointment of Auditor and Authority to Set Fees" section of these guidelines for further information.

Remuneration of Non-Executive Directors

We have clarified that the benchmark policy may recommend that shareholders oppose substantial increases to fees for non-executive directors when compelling rationale has not been provided, particularly in cases where the current or proposed fees exceed those paid to market peers.

Please refer to the "Remuneration of Non-Executive Directors" section of these guidelines for further information.

Disclosure of General Meeting Vote Results

As previously announced, from 2024, the benchmark policy will generally recommend that shareholders vote against the re-election of the chair of the governance committee or equivalent (i.e. board chair or Lead

Independent Director) at companies included in OMX Nordic 120 that did not disclose vote results from their previous annual meeting.

Please refer to the "Disclosure of General Meeting Vote Results" section of these guidelines for further information.

The Link Between Pay and Performance

We have restructured and expanded this section of the guidelines in line with our Continental Europe Benchmark Policy Guidelines and Danish market practice in order to provide further insight into our assessment of executive remuneration.

Please refer to the "The Link Between Pay and Performance" section of these guidelines for further information.

Linking Executive Pay to Environmental and Social Criteria

We have outlined our current benchmark policy guidance on the use of E&S metrics in the variable incentive programmes for executive directors, in line with our Continental Europe Benchmark Policy Guidelines.

Although the benchmark policy is strongly supportive of companies' incorporation of material E&S risks and opportunities in their long-term strategic planning, the inclusion of E&S metrics in remuneration plans should be predicated on each company's unique circumstances.

Companies should provide shareholders with disclosures that clearly lay out the rationale for selecting specific E&S metrics, the target-setting process, and corresponding payout opportunities. Further, shareholders of companies that have not included explicit environmental or social indicators in their incentive plans would benefit from additional disclosure on how the company's executive pay strategy is otherwise aligned with its sustainability strategy.

Please refer to the "Linking Executive Pay to Environmental and Social Criteria" section of these guidelines for further information.

Housekeeping Changes

We have made further changes of a housekeeping nature in order to enhance the clarity and readability of the document.

A Board of Directors that Serves the Interests of Shareholders

Election of the Board of Directors or Supervisory Board

Under Danish law, public companies may choose between a true dual board structure or a hybrid structure unique to the Nordic markets. Regardless of the choice, companies must have either a board of directors or supervisory board. If the company opts for a board of directors, the executive board will oversee day-to-day management while the board of directors will be in charge of the overall strategic management and will supervise the executive board. If a company chooses to have a supervisory board, the board will only supervise the executive board, which is tasked with both day-to-day and strategic management and is appointed by the board. In both cases, the board of directors or the supervisory board should consist of a minimum of three members.[2] Unless otherwise stated, all references to the “board of directors” in these guidelines will also apply to the “supervisory board.”

Unless otherwise specified in a company’s articles of association, the board of directors elects its chair and vice chair, who may not be an executive of the company.[3] Further, it is recommended that a retiring executive does not join the board immediately after retirement.[4]

Election of Shareholders Committee and Danish Savings Banks

In Denmark, the general meeting may in some cases elect a shareholders committee, referred to as the board of representatives under the Danish law, which serves as a third governing body. The shareholders committee elects members to the supervisory board and/or board of directors usually from among members of its own committee.

This setup is frequently seen in Danish savings banks where the shareholders committee is the bank’s highest governing body.[5] The shareholders committee must have at least 21 members, elected for a maximum term of four years.[6]

Independence

In Denmark, we put directors into four categories based on an examination of the type of relationship they have with the company:

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[2] Article 111 of the Danish Companies Act.

[3] Articles 111 and 122 of the Danish Companies Act.

[4] Article 3.2.2 of the Recommendations.

[5] Article 81(1) of the Danish Financial Business Act.

[6] Article 81(2) of the Danish Financial Business Act.

Independent Director — An independent director has no material[7] financial, familial,[8] or other current relationships with the company,[9] its executives, or other board members, except for board service and standard fees paid for that service.[10] An individual who has been employed by the company within the past five years[11] is not considered to be independent. We apply a three-year look-back period for all other relationships.

Affiliated Director — An affiliated director has a material financial, familial, or other relationship with the company or its executives but is not an employee of the company.[12] We will normally consider board members affiliated if they:

- Have served in an executive capacity at the company in the past five years;
- Have served on the board for more than 12 years;[13]
- Have — or have had within the past three years — a material business relationship with the company or its auditor;
- Own or control 10% or more of the company's share capital or voting rights;[14]
- Have close family ties with any of the company's advisers, directors, or employees; and/or

[7] Per Glass Lewis' *Continental European Policy Guidelines*, "material" as used herein means a relationship in which the value exceeds: (i) DKK 350,000 (or 50% of the total compensation paid to a board member, or where no amount is disclosed) for board members who personally receive compensation for a professional or other service they have agreed to perform for the company, outside of their service as a board member. This limit would also apply to cases in which a consulting firm that is owned by or appears to be owned by a board member receives fees directly; (ii) DKK 750,000 (or where no amount is disclosed) for those board members employed by a professional services firm such as a law firm, investment bank or large consulting firm where the firm is paid for services but the individual is not directly compensated. This limit would also apply to charitable contributions to schools where a board member is a professor, or charities where a board member serves on the board or is an executive, or any other commercial dealings between the company and the board member or the board member's firm; (iii) 1% of the company's consolidated gross revenue for other business relationships (e.g., where the board member is an executive officer of a company that provides services or products to or receives services or products from the company); iv) 10% of shareholders' equity and 5% of total assets for financing transactions; or (v) the total annual fees paid to a director for a personal loan not granted on normal market terms, or where no information regarding the terms of a loan have been provided.

[8] Per Glass Lewis' *Continental European Policy Guidelines*, familial relationships include a person's spouse, parents, children, siblings, grandparents, uncles, aunts, cousins, nieces, nephews, in-laws, and anyone (other than domestic employees) who shares such person's home. A director is an affiliate if the director has a family member who is employed by the company.

[9] A company includes any parent or subsidiary in a group with the company or any entity that merged with, was acquired by, or acquired the company.

[10] Article 3.2.1 of the Recommendations.

[11] Ibid.

[12] If a company classifies a non-executive director as non-independent, Glass Lewis will classify that director as an affiliate, unless there is a more suitable classification (i.e. shareholder representative, employee representative).

[13] Article 3.2.1 of the Recommendations.

[14] The commentary to Article 3.2.1 of the Recommendations specifies that the board should consider the independence of directors representing more than 20% of share capital. Per Glass Lewis' *Continental European Policy Guidelines*, we view 10% shareholders as affiliates because they typically have access to and involvement with the management of a company that is fundamentally different from that of ordinary shareholders. More importantly, 10% holders may have interests that diverge from those of ordinary holders, for reasons such as the liquidity (or lack thereof) of their holdings, personal tax issues, etc.

- Hold cross-directorships or have significant links with other directors through their involvement with other companies.

Inside Director — An inside director simultaneously serves as a director and as an employee of the company. This category may include a board chair who acts as an employee of the company or is paid as an employee of the company.

Employee Representatives — In companies that have had an average of 35 employees or more during the last three years, employees have the right to elect representatives to the company's, or the parent company's, board of directors. Employees can elect up to half the number of directors that are elected by the shareholders, but no less than two individuals.[15] When calculating the independence level of a board, Glass Lewis will exclude employee representatives from such calculations.

Voting Recommendations Based on Board Independence

In line with the Recommendations, at least half of the members of the board should be independent[16] and that the board should be entirely free of executive directors, in line with the Danish Recommendations.[17] Where more than 50% of the members are affiliated or inside directors, we typically recommend voting against some of the inside and/or affiliated directors in order to satisfy the 50% threshold. However, we accept the presence of representatives of significant shareholders in proportion to their equity or voting stake in the company.

We may recommend voting against a member of the shareholders committee that also serves as a member of the board of directors in cases where we would have recommended voting against that nominee as a director.

As outlined in our *Continental Europe Benchmark Policy Guidelines*, we refrain from recommending to vote against directors who are not considered independent due to lengthy board tenure on that basis alone in order to meet recommended independence thresholds.

Voting Recommendations on Shareholders Committee

We may recommend voting against the shareholders committee as a slate if the committee has failed to create a sufficiently independent and functioning board. In case there are more nominees than available committee positions, we will base our recommendation on the competencies and experience of the nominees, if the appropriate information has been disclosed.

Voting Recommendations Based on Committee Independence

In line with the Recommendations, only non-executive board members should serve on a company's audit and remuneration committees.[18] Further, in line with our *Continental Europe Benchmark Policy Guidelines*, we believe a majority of the members of these committees should be independent of the company and its

[15] Articles 140 of the Danish Companies Act.
[16] Article 3.2.1 of the Recommendations.
[17] Article of 3.2.2 of the Recommendations.
[18] Article of 3.4.2 of the Recommendations.

significant shareholders.[19] In addition, the audit committee should not be chaired by the board chair, unless the Company provides a reasonable and explicit justification.[20]

When a board fails to form audit and remuneration committees, we will generally recommend voting against the board chair on this basis. This will generally not apply to small-cap companies with a sufficient number of independent directors.

Finally, a majority of the members of the nominating committee should be independent of company management and other related parties. We accept the presence of representatives of significant shareholders on this committee in proportion to their equity or voting stake in the company.

Other Considerations for Individual Directors

Our policies with regard to performance, experience and conflict-of-interest issues are not materially different from our *Continental Europe Benchmark Policy Guidelines*.

External Commitments

We believe that directors should have the necessary time to fulfil their duties to shareholders. In our view, an overcommitted director can pose a material risk to a company's shareholders, particularly during periods of crisis. In accordance with our *Continental Europe Benchmark Policy Guidelines*, we typically recommend shareholders vote against a director who:

- Serves as an executive officer of any public company while serving on more than one additional external public company board; or
- Serves as a 'full-time' or executive member of the board[21] of any public company while serving on more than two additional external public company boards; or
- Serves as a non-executive director on more than five public company boards in total.

We will count non-executive board chair positions at European companies as two board seats given the increased time commitment associated with these roles.

Further, as executive directors will presumably devote their attention to the company where they serve as an executive, we will generally not recommend that shareholders vote against the election of a potentially overcommitted director at the company where they serve in an executive function. Similarly, we will generally

[19] In general, we prefer majority independent committees, as recommended by EU Commission Recommendation of 15 February 2005, Annex I, Articles 3.1 and 4.1. We believe a majority of remuneration committee members should be independent of the company and its controlling shareholders (i.e., owning at least 50% of the share capital or voting rights). Given the importance of the audit committee's work, we believe a majority of audit committee members should always be independent. However, we may apply more stringent recommendations, if any, provided by corporate governance codes in each market.
[20] Article 3.4.3 of the Recommendations.
[21] This policy applies to directors that serve on a board in a 'full-time' or executive capacity without further defined responsibilities within the executive team (e.g. executive chair that is not a member of the executive committee, or a non-executive chair that serves in the role in a full-time capacity).

not recommend that shareholders vote against the election of a potentially overcommitted director at a company where they hold the board chair position, except where the director:

- Serves as an executive officer of another public company; or
- Holds board chair positions at three or more public companies; or
- Is being proposed for initial election as board chair at the company.

Nevertheless, we adopt a case-by-case approach on this issue, as described in our *Continental Europe Benchmark Policy Guidelines*.

Board Responsiveness

Glass Lewis believes that when 20% or more of minority shareholders vote contrary to the board's recommendation, the board should, depending on the issue, demonstrate some level of responsiveness to address shareholder concerns, particularly in cases where we have identified particular issues of concern. These include instances when 20% or more of shareholders: (i) abstain from or vote against a director nominee; (ii) abstain from or vote against a management-sponsored proposal; or (iii) vote for a shareholder proposal. In our view, a 20% threshold is significant enough to warrant a close examination of the underlying issues and an evaluation of whether or not a board response was provided and, if so, whether the board responded appropriately following the vote.

While the 20% threshold alone will not automatically generate a negative vote recommendation from Glass Lewis on a future proposal, it will be a contributing factor to recommend a vote against board's recommendation in the event we determine that the board did not acknowledge and/or address such dissent appropriately. Further, we may, where appropriate, hold chairs and members of the relevant committees accountable where shareholder concerns have not been sufficiently addressed. In the absence of an option to escalate concerns to specific directors, we may instead recommend a vote against the receipt of the annual report and accounts.

Our evaluation of board responsiveness is not materially different from our *Continental Europe Benchmark Policy Guidelines*.

Board Structure and Composition

Our policies regarding board structure and composition are not materially different from our *Continental Europe Benchmark Policy Guidelines*. The following is a clarification on best practice recommendations and law in Denmark.

Separation of the Roles of Chair and CEO

Under the Danish Companies Act, neither the chair nor the vice-chair of the board may be employed by the company as an executive officer.[22] If the chair has duties assigned by the company, in addition to those inherent

[22] Article 111 of the Companies Act.

to their position, these may not involve tasks that are part of the CEO's responsibilities in the day-to-day management of the company The division of responsibilities between the chair and the CEO must be clearly stated in the job description of each position.[23]

Board Gender Diversity

In December 2022, the EU Directive on Gender Balance on Corporate Boards[24] came into force and must be transposed by Member States into national law by December 2024. Member States are required to subject publicly-listed companies to the objective that at least 40% of non-executive positions, or 33% of an aggregate of executive and non-executive positions, be held by the underrepresented gender by June 30, 2026.

In Denmark, large companies are required to establish diversity targets with the goal to increase the representation of the underrepresented gender on the board of directors and in company management.[25] Danish companies are further required to report on their progress towards fulfilling these targets. Companies that have equal gender balance on their board of directors, and are therefore not required to set specific target figures, must disclose this in their management report.[26] The Danish Recommendations state that the board of directors must take into consideration the need for integration of new talent and diversity in relation to age, international experience and gender.[27]

In line with our *Continental Europe Benchmark Policy Guidelines*, we generally expect the boards of all main market companies to not be composed solely of directors of the same gender. This policy will apply to companies included in the OMX Nordic All-Share index.

Where a proposed board election foresees an all-male board, we will generally recommend that shareholders vote against the nominating committee chair (or equivalent) or a new nominee to the board, as appropriate. Exceptions to this policy may be granted to boards consisting of four or fewer directors and to companies that present a credible, near-term plan to address the lack of gender diversity on the board. We may also recommend voting against the nominating committee chair in cases where a company deviates from its diversity targets without sufficient explanation, or where a company fails to present a coherent board diversity policy altogether.

Further, in line with substantial progress that has been made in improving the gender balance on Danish boards, we will also generally recommend against the election of nominating committee chair where a company included on the OMX Nordic 120 index has failed to ensure that at least 30% of boards seats are held by the underrepresented gender and the company has not disclosed a credible explanation or plan to address the issue. We note that we will defer to a higher domestic gender diversity threshold when applicable.

[23] Article 2.2 of the Recommendations.

[24] Directive 2022/2381 of the European Parliament and Council.

[25] Article 139c of the Companies Act.

[26] Article 99b of the Financial Statements Act.

[27] Article 3.1.2 of the Recommendations.

Diversity of Skills and Experience

We believe companies should disclose sufficient information to allow a meaningful assessment of a board's skills and competencies. Our analysis of election proposals at large European companies includes an explicit assessment of skills disclosure. We expect these companies to provide a robust, meaningful assessment of the board's profile in terms of skills and experience in order to align with developing best practice standards.

If a board has failed to address material concerns regarding the mix of skills and experience of the non-executive element of the board, we will consider recommending voting against the chair of the nominating committee. In the case of a by-election, where it is unclear how the election of the candidate will address a substantial skills gap, we may consider recommending voting against the new nominee to the board. In egregious cases, where the disclosure of a large company does not allow for a meaningful assessment of the key skills and experience of incumbent directors and nominees to a board, we will also consider recommending voting against the chair of the nominating committee.

Our evaluation of diversity of skills and experience is not materially different from our *Continental Europe Benchmark Policy Guidelines*.

Board-Level Oversight of Environmental and Social Risk

Glass Lewis believes that companies should ensure that boards maintain clear oversight of material risks to their operations, including those that are environmental and social in nature. Accordingly, for large-cap companies, and in instances where we identify material oversight concerns, Glass Lewis will review a company’s overall governance practices and identify which directors or board-level committees have been charged with oversight of environmental and/or social issues.

We will generally recommend voting against the governance committee chair (or equivalent) of companies listed on the OMX Nordic 40 index that fail to provide explicit disclosure concerning the board's role in overseeing material environmental and social issues.

Our evaluation of board-level oversight of environmental and social risk is not materially different from our *Continental Europe Benchmark Policy Guidelines*.

Board Evaluations

Glass Lewis strongly supports routine director evaluation, including externally facilitated triennial reviews in accordance with the Danish Recommendations.

As such, we will consider recommending against the election of the chair of the nomination committee if the board fails to conduct an external evaluation of its effectiveness every three years without a compelling rationale. If the board has not established a nominating committee, we will consider recommending against the election of the board chair.

Board Committees

The Recommendations state that companies should establish separate audit,[28] nominating[29] and remuneration committees.[30]

Many Danish companies, particularly those with smaller boards, fail to establish separate committees. When a large board fails to create separate committees, we may recommend voting against the board chair on this basis, particularly if the board is not sufficiently independent.

Committee Composition and Performance

The Role of a Committee Chair

Glass Lewis believes that a designated committee chair maintains primary responsibility for the actions of their respective committee. As such, many of our committee-specific voting recommendations, as outlined in these guidelines and in further detail in our *Continental Europe Benchmark Policy Guidelines,* are against the applicable committee chair rather than the entire committee (depending on the seriousness of the issue). In cases where the committee chair is not up for election due to a staggered board, and we have identified substantial or multiple concerns, we will generally recommend voting against a long-serving committee member that is up for election, on a case-by-case basis. In cases where we would ordinarily recommend voting against a committee chair, but the chair is not specified, we apply the following general rules, which apply throughout our guidelines:

- If there is no committee chair, we recommend voting against the longest-serving committee member or, if the longest-serving committee member cannot be determined, the longest-serving board member serving on the committee (i.e. in either case, the "senior director"); and
- If there is no committee chair, but multiple senior directors serving on the committee, we recommend voting against both, or all, such senior directors.

Expertise of Audit Committee Members

For an audit committee to function effectively on investors' behalf, it must include members with sufficient knowledge to diligently carry out their responsibilities. We believe that companies should clearly outline the skills and experience of the members of the audit committee, and that shareholders should be wary of audit committees that include members that lack the requisite expertise.

In Denmark, it is required that at least one member of the audit committee must have qualification in accounting or auditing.[31] When we have been unable to determine the representation of such expertise on the audit committee through the director biographies and disclosure provided by a company, we may recommend that shareholders vote against the re-election of the audit committee chair and/or other committee members standing for re-election.

[28] Article 3.4.3 of the Recommendations.
[29] Article 3.4.6 of the Recommendations.
[30] Article 3.4.7 of the Recommendations.
[31] Danish Act on Approved Auditors and Audit Firms, Chapter 8.

Nominating Committee Composition

In Denmark, nominating committees generally consist of three members who are elected from among the members of the board. Further, the majority of the members should be independent.

The Recommendations allow for the committees to engage professional advisory services and/or seek input from specific stakeholders, such as shareholders, when appropriate.[32]

Election Procedures

Our policies regarding election procedures are not materially different from our *Continental Europe Benchmark Policy Guidelines*. The following are clarifications on best practice recommendations in Denmark.

Voting Options

In Denmark, it is generally not possible to vote against proposals that involve elections due to plurality voting requirements. In cases where Glass Lewis would normally recommend voting against a proposal, but a proxy card does not allow for against votes, we will instead recommend shareholders abstain from voting on the proposal.

Classified Boards and Term Lengths

Under Danish law, a director can be re-elected an unlimited number of times, with each term not exceeding four years.[33] It is recommended, however, that directors be up for re-election each year.[34] We may recommend voting against the nominating committee chair, or in the absence of the nominating committee, the board chair, when term lengths exceed this limit without explanation.

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[32] Article 3.4.2 of the Recommendations.
[33] Article 120(4) of the Companies Act.
[34] Article 3.1.5 of the Recommendations.

Transparency and Integrity in Financial Reporting

In Denmark, shareholders are routinely asked to vote on a number of proposals regarding the audited financial statements, the appointment of auditor and dividends. While we have outlined the principal characteristics of these types of proposals that we encounter in Denmark below, our policies regarding these issues, as well as non-financial reporting, are not materially different from our *Continental Europe Benchmark Policy Guidelines*.

Accounts and Reports

As a routine matter, Danish company law requires that shareholders approve a company's annual and consolidated financial statements in a timely manner so they can be submitted to the Danish Commerce and Companies Agency within five months following the close of the fiscal year.[35]

In addition, large Danish companies that fall under the conditions of the law are required to publish an audited sustainability report as part the management report within their annual report.[36]

Appointment of Auditor and Authority to Set Fees

General meeting must elect one or more approved auditors and any substitutes to them.[37] Danish companies generally seek shareholder approval of the auditor on an annual basis. In addition, some companies seek shareholder approval of the fees to be paid to the independent auditor.

We generally support a company's choice of financial auditor except when we believe the auditor's independence or audit integrity has been compromised.

Appointment of the Auditor for Sustainability Reporting

In addition, if a company is required to publish information relating to sustainability, the general meeting must appoint one or more approved auditors for sustainability reporting.[38] Statement on sustainability reporting can only be issued by auditors who, in accordance with Auditors' Act, are approved to issue statements on sustainability reporting. [39]

Glass Lewis will generally recommend that shareholders support a company's choice of auditor for sustainability reporting, subject to the company providing sufficient information on the identity of and fees paid to the auditor, as well as the independence and performance of the auditor.

[35] Article 138 of the Financial Statements Act.
[36] Article 99a of the Financial Statements Act
[37] Article 144 of the Companies Act
[38] Article 149a of the Act no. 480 of 22/05/2024
[39] Article 135c of the Financial Statements Act

Our policies regarding the appointment of the auditors and approval of fees to the auditor do not materially deviate from the *Continental Europe Benchmark Policy Guidelines*.

Allocation of Profits/Dividends

In Denmark, companies must submit the allocation of income for shareholder approval, whether or not a dividend is proposed.[40] In accordance with Danish company law, the dividend must not exceed an amount which is reasonable in consideration of the financial position of the company.[41]

Further, following the presentation of a company's first financial statement, the board of directors may be granted authority to distribute future dividends from the Company's distributable reserves[42] and profit for the current financial year,[43] without seeking further shareholder approval.

In most cases, we believe the board is in the best position to determine whether a company has sufficient resources to distribute a dividend to shareholders and that shareholders can voice any concerns regarding dividend payments through their votes on the allocation of profits or the election of directors, as appropriate, at the annual general meeting.

Absent evidence of egregious conduct that may threaten shareholder value, we will generally support the board's proposed dividend distribution. Further, we will generally recommend that shareholders support proposals authorising the board to distribute future dividends without seeking shareholder approval each time, provided that the company has a reasonable dividend history and has provided adequate disclosure.[44]

The Link Between Pay and Performance

Glass Lewis carefully reviews the remuneration awarded to senior executives, as we believe that this is an important area in which the board's priorities are revealed. Glass Lewis strongly believes executive remuneration should be linked directly with the performance of the business the executive is charged with managing. We typically look for remuneration arrangements that provide a mix of performance-based short- and long-term incentives in addition to base salary. Glass Lewis believes that comprehensive, timely and transparent disclosure of executive pay is critical to allow shareholders to evaluate the extent to which the pay is keeping pace with company performance.

Vote on Executive Remuneration (Say-on-Pay)

With the transposition of the EU Shareholder Rights Directive into law, investors are provided with multiple platforms to demonstrate approval or register concerns regarding executive remuneration packages. Companies are required to submit their remuneration policy to a binding shareholder vote at least every four

[40] Articles 180-184 of the Companies Act.
[41] Article 179(2) of the Companies Act.
[42] Article 180(2) of the Companies Act.
[43] Article 182(3) of the Companies Act.
[44] Articles 182(2) and 183(1) of the Companies Act.

years, or whenever substantial changes are made; in addition, a remuneration report must be submitted to an advisory shareholder vote annually.

We review executive remuneration on both a qualitative basis and a quantitative basis, recognising that each company must be examined in the context of its industry, size, financial condition, its historic pay-for-performance practices, ownership structure and any other relevant internal or external factors. We also review any significant changes or modifications made, or being proposed, to a company's remuneration structure or award levels, and evaluate any associated rationale provided by the company.

Our guidelines regarding the remuneration policy and report are not materially different from our *Continental Europe Benchmark Policy Guidelines*.

Vote on Remuneration Policy

Proposed remuneration policies should provide clear disclosure of an appropriate framework for managing executive remuneration. While this framework will vary by company, it should generally provide an explicit link to the company's strategy, set appropriate quantum limits along with structural safeguards to prevent excessive or inappropriate payments and particularly any reward for failure.

According to the Companies Act, the remuneration policy must include the following elements: i) an explanation of how the remuneration policy contributes to the company's business strategy, long-term interests and sustainability; ii) a description of the various components of fixed and variable remuneration, including all bonuses and other benefits; iii) a description of how the company's employees' remuneration have been taken into account in the preparation of the remuneration policy; iv) a description of the key terms of management contracts and the main elements of pension schemes, termination payments and notice periods.[45] Severance payouts should be limited to two years' remuneration.[46]

In case the remuneration includes variable incentives, we expect the policy to include a clear and thorough disclosure of incentive limits as well as a description of performance metrics and their weighting, under both short- and long-term incentive plans. Further, the policy should include information on how the performance metrics contribute to the company's business strategy, long-term interests and sustainability, and the methods used to determine whether the performance criteria have been met. Information on possible deferral periods and the company's ability to recover variable remuneration must also be disclosed.[47]

We closely review changes to companies' remuneration policies to determine whether the changes will benefit shareholders and therefore whether shareholders should support the proposals. Where a proposed policy represents a significant improvement over the existing policy, we may recommend voting for the proposal, even when the proposed policy contains some deficiencies.

[45] Article 139a of the Companies Act.
[46] Article 4.1.4 of the Recommendations.
[47] Article 139a of the Companies Act.

Vote on Remuneration Report

Our analysis of the remuneration report focuses on the board's implementation and administration of the company's remuneration policy. However, we also believe that this annual vote provides shareholders with an important opportunity to express concern with a company's remuneration policies and practices that are not explicitly limited to the year under review. As such, our voting recommendations may reflect substantial ongoing concerns with a company's remuneration policy, in addition to the remuneration decisions and outcomes during the past fiscal year.

The Danish Companies Act states that the remuneration report must provide information on, among others, i) the total remuneration divided into components, and an explanation of how it complies with the remuneration policy, including how it contributes to the company's long-term results, and information on how the performance criteria are applied; ii) how the average workforce pay and financial performance have developed over the past five years; iii) remuneration received from group companies; iv) the number of shares or options allotted and the main conditions for the exercise of the rights, including the price at the time of allotment and the date of exercise; v) any clawback of pay; vi) any deviations from the remuneration policy; and vii) how the vote on the previous remuneration report was taken into account.[48]

In addition, the Code recommends that share-based incentive plans have performance periods of at least three years,[49] that the variable part of the remuneration includes a cap at the time of grant, and that there is transparency in respect of the potential value at the time of exercise under pessimistic, expected and optimistic scenarios.[50]

In consideration of Danish market practice and our *Continental Europe Benchmark Policy Guidelines*, some of the issues that may contribute to a negative voting recommendation are as follows:

- Lack of any performance-based remuneration;
- Remuneration is not linked to appropriate, forward-looking, multi-year performance targets, or company has not provided a robust rationale why such criteria has not been set.
- Poor disclosure of incentive plan's metrics, their weightings, or individual maximum opportunity;
- Poor disclosure of level of achievement with respect to target for each metric used in incentive plan;
- Significant increases in fixed remuneration or maximum incentive opportunity without a compelling rationale;
- Discretionary bonuses paid outside of short- and long-term incentive plans.

Further, when assessing implementation of the remuneration policy during the year under review, we pay particular attention to the alignment between performance and pay outcomes, and the committee's level of disclosure regarding any application of discretion. In cases where our analysis reveals remuneration practices or disclosure in significant need of reform, we will generally recommend that shareholders vote against the remuneration report. Generally, such instances include evidence of a pattern of poor pay-for-performance practices, unclear or questionable disclosure regarding the overall remuneration structure, questionable adjustments to certain aspects of policy implementation and/or outcomes (e.g. limited rationale for significant

[48] Article 139b of the Companies Act.
[49] Principle 4 and Article 4.1.2 of the Recommendations.
[50] Article 4.1.3 of the Recommendations.

changes to performance targets or metrics, the payout of guaranteed bonuses or sizeable retention grants, etc.) and/or other egregious remuneration practices.

Linking Executive Pay to Environmental and Social Criteria

Environmental and/or social (E&S) criteria in executive incentive plans, when used appropriately, can serve to provide both executives and shareholders a clear line of sight into a company's ESG strategy, ambitions, and targets.[51] Given that the transposition of SRD II has led to EU Member States adopting legislation outlining that a company's remuneration policy should contribute to its long-term interests and sustainability, the vast majority of European large- and mid-cap companies have now included specific E&S indicators in at least one of their incentive plans. Accordingly, we believe that shareholders of European companies that have not included explicit E&S indicators in their incentive plans would benefit from additional disclosure on how the company's executive pay strategy is otherwise aligned with its sustainability strategy.

When a company is introducing E&S criteria into executive incentive plans, we believe it is important to provide shareholders with sufficient disclosure to allow them to understand how these criteria align with its strategy. Companies should provide shareholders with disclosures that clearly lay out the rationale for selecting specific E&S metrics, the target-setting process, and corresponding payout opportunities.

Further, particularly in the case of qualitative metrics, we believe that shareholders should be provided with a clear understanding of the basis on which the criteria will be assessed. Where quantitative targets have been set, we believe that shareholders are best served when these are disclosed on an ex-ante basis, or the board should outline why it believes it is unable to do so.

Accountability of the Remuneration Committee

In cases where Glass Lewis has substantial concerns with the performance of the remuneration committee, we may also recommend that shareholders vote against the re-election of the chair and/or other members of the committee. For example, we may recommend against the re-election of the committee chair, and/or other members of the committee, where there are substantial concerns with the remuneration policy and/or the pay practices outlined in the remuneration report. Such instances may include cases in which a company maintains poor remuneration practices year after year without any apparent steps to address the issues. In addition, we may recommend voting against the entire committee based on the practices or actions of its members, such as approving large one-off payments, the inappropriate use of discretion in determining variable remuneration, or sustained poor pay-for-performance practices.

Remuneration of Non-Executive Directors

Directors' fees should be reasonable in order to retain and attract qualified individuals. At the same time, excessive fees represent a financial cost to the company and threaten to compromise the objectivity and independence of non-employee directors.

[51] EU Directive 2017/828 (SRD II) states that a company's remuneration policy "should contribute to the business strategy, long-term interests and sustainability of the company and should not be linked entirely or mainly to short-term objectives.

Under our benchmark policy, we believe that the quantum of non-executive fees should be broadly comparable to a company's country and industry peers and should take into account the time commitment required for a director to satisfactorily discharge their duties to shareholders. Accordingly, the board should provide rationale for any substantial proposed increases to the fees of non-executive directors. Absent disclosure of a compelling rationale, the benchmark policy may recommend voting against the proposed increase, particularly when the current or proposed fees exceed those paid to market peers.

Pursuant to best practice in Denmark, while board members should be encouraged to invest part of their remuneration in shares, the company should not grant share options or warrants to board members.[52] As such, we will recommend voting against any incentive plan for non-executive directors that includes options or performance-based fees that do not include the necessary provisions to ensure the independence of the directors.

Our policies on remuneration of non-executive directors do not differ materially from our *Continental Europe Benchmark Policy Guidelines*.

[52] Article 4.1.5 of the Recommendations.

Governance Structure and the Shareholder Franchise

In Denmark, shareholders are asked to approve proposals regarding a company's governance structure, such as amendments to the articles of association. Our policies on these issues do not differ materially from our *Continental Europe Benchmark Policy Guidelines*.

Ratification of Board and/or Management Acts

Danish companies usually request that shareholders discharge the members of the board and the management from all liability of their actions committed during the fiscal year.[53]

However, if minority shareholders representing at least 10% of the share capital vote against the proposal to release directors of liability, any shareholder may start proceedings against the board or management for damages suffered by the company. In addition, should a company enter into insolvent liquidation within two years of the annual general meeting at which the board and management acts were ratified, the decision to pass the proposal is not binding.

Similarly, if the information provided to shareholders prior to the meeting was incorrect or incomplete, shareholders can still bring proceedings against the board or the management. Lastly, despite the approval of the ratification proposal, directors and management will still be liable for wilful misconduct, fraud, or any criminal offenses.[54]

Meeting Procedures

Many Danish companies ask that shareholders approve a number of routine meeting items, such as report of the board of directors or management, the appointment of a presiding chair and/or meeting delegates, presentation of accounts and reports, and the closing of the meeting. These items are generally routine and do not have material impact on shareholders. In most cases, shareholders' votes serve as an acknowledgment that the meeting was properly conducted, and all meeting procedures requirements were met.

Bundled Proposals

In Denmark, distinct proposals are sometimes bundled together as a single voting item. When a company clearly indicates the intention to bundle voting items that are not otherwise related and may have a material effect on shareholders' rights, we may recommend that shareholders vote against the proposal on this basis alone. If we have concerns regarding any item to be approved under a single proposal that would cause us to recommend voting against it separately, we will recommend voting against the bundled proposal.

[53] Article 364 of the Companies Act.

[54] Article 364 & 365 of the Companies Act.

Virtual Shareholder Meetings

Glass Lewis unequivocally supports companies facilitating the virtual participation of shareholders in general meetings. We believe that virtual meeting technology can be a useful complement to a traditional, in-person shareholder meeting by expanding participation of shareholders who are unable to attend a shareholder meeting in person (i.e. a hybrid meeting). However, we also believe that meetings at which shareholders are not permitted to attend in person can curb the ability of a company's shareholders to participate in the meeting and meaningfully communicate with company management and directors.

We believe that companies that elect to hold virtual shareholder meetings should aim to replicate in-person shareholder meetings and safeguard shareholder rights as closely as possible. At a minimum, we expect companies to set and disclose clear procedures at the time of convocation regarding:

- When, where, and how shareholders will have an opportunity to ask questions during the meeting, including a timeline for submitting questions, types of admissible questions, and rules for how questions and comments will be recognised and disclosed to shareholders;
- The manner in which appropriate questions received during the meeting will be addressed by the board; this should include a commitment that questions which meet the board's guidelines are answered in a format that is accessible by all shareholders, such as on the company's AGM or investor relations website;
- The procedure and requirements to participate in the meeting and access the meeting platform; and
- Technical support that is available to shareholders prior to and during the meeting.

In egregious cases where inadequate disclosure of the aforementioned has been provided to shareholders at the time of convocation, Glass Lewis will generally recommend that shareholders vote against members of the governance committee (or equivalent) or the chair of the board. In instances where appropriate directors are not standing for election, we may instead recommend that shareholders vote against other matters that are up for a vote, such as the ratification of board acts, or the accounts and reports proposal.

Our policies regarding virtual shareholder meetings do not differ materially from our *Continental Europe Benchmark Policy Guidelines*.

Multi-Class Share Structures

Glass Lewis believes multi-class share structures with unequal voting rights are typically not in the best interests of common shareholders. Allowing one vote per share generally operates as a safeguard for common shareholders, ensuring that those who hold a significant minority of shares are able to weigh in on issues set forth by the board.

Furthermore, we believe that the economic stake of each shareholder should match their voting power and that no small group of shareholders, family or otherwise, should have voting rights different from those of other shareholders. On matters of governance and shareholder rights, we believe shareholders should have the power to speak and the opportunity to effect change. That power should not be concentrated in the hands of a few for reasons other than economic stake.

However we are mindful that multi-class share structures are a longstanding feature of European capital markets and believe that, as long as the share class with superior voting rights is publicly-listed or there is no evidence to suggest that the share structure is contributing to poor governance or the suppression of minority shareholder concerns, existing multi-class share structures are likely to be understood and accepted by most shareholders of European companies.

Adoption of a Multi-Class Share Structure

In the case of a board that adopts a multi-class share structure, where the share class with superior rights is unlisted, in connection with an IPO, spin-off, or direct listing within the past year, we will generally recommend voting against the chair of the governance committee (or equivalent) or a representative of the major shareholder up for election if the board: (i) did not also commit to submitting the multi-class structure to a shareholder vote at the company's first shareholder meeting following the IPO; or (ii) did not provide for a reasonable sunset of the multi-class structure (generally seven years or less). In cases where there are no board elections at the first general meeting following the listing, we may instead recommend that shareholders vote against another relevant proposal on the agenda (e.g. ratification of board acts).

Companies with an Existing Multi-Class Share Structure

Absent additional concerns, at this time we will not recommend shareholder action on the basis of the existence of an established multi-class share structure alone. Nevertheless, where evidence exists that a company with a multi-class share structure, where the share class with superior rights is unlisted, is unresponsive to the concerns of minority shareholders, we may recommend that shareholders vote against the re-election of the governance committee chair (or equivalent). This would include cases where a company with a multi-class share structure maintains poor governance practices relative to peers, or fails to respond to significant dissent from minority shareholders.[55]

Proposals to Unwind Multi-Class Share Structures

Because we believe that companies should have share capital structures that protect the interests of non-controlling shareholders as well as any controlling entity, we typically recommend that shareholders vote in favour of recapitalisation proposals to eliminate multi-class share structures. As part of our review of proposals to unwind multi-class share structures, we will analyse the impact on all equity holders of any financial compensation being offered to holders of shares with superior rights.

Disclosure of General Meeting Vote Results

Access to detailed vote results from general meetings is important for shareholders in conducting their stewardship duties. Specifically, the disclosure of vote results assists shareholders in gaining a better understanding of the outcome of general meetings, establishing engagement priorities, and tracking companies' responses to material (minority) shareholder dissent on any of the agenda items. Non-disclosure of vote results can serve to disenfranchise minority shareholders, in particular at companies with a multi-class share structure or a controlling shareholder.

[55] See the "Board Responsiveness" section of these guidelines.

In some European countries, listing regulations mandate the disclosure of vote results from general meetings. However, this disclosure has also become common market practice in other countries across the continent where disclosure is currently voluntary.

Accordingly, we will note a concern in our analysis of the composition of boards of directors at companies that did not disclose vote results from their previous annual meeting. For large- and mid-cap companies that did not disclose vote results from their previous annual meeting, or provide clear commitment to disclose the vote results in the future, we will generally recommend that shareholders vote against the re-election of the chair of the governance committee or equivalent (i.e. board chair or Lead Independent Director).

This policy will be applied for the first time to all companies included on the OMX Nordic 120 that fail to disclose vote results of their 2024 annual meetings.

Capital Management

Shareholders in Danish companies are asked to approve proposals regarding the authority to issue shares or convertible bonds and the authority to repurchase and reissue shares on a regular basis. Apart from these proposals, shareholders are generally asked to approve only very specific transactions, which we evaluate on a case-by-case basis.

While we have outlined the principal characteristics of these types of proposals that we encounter in Denmark below, our policies regarding these issues are not materially different from our *Continental Europe Benchmark Policy Guidelines*.

Authority to Issue Shares and/or Convertible Securities

In Denmark, shareholders are required to approve all proposals related to the issuance of shares and/or convertible securities. Shareholders must determine the length of the authority, which in no event may be greater than 5 years,[56] and the ceiling for the increase. In addition, the company may determine whether it wishes to issue the shares and/or convertible securities with or without preemptive rights.[57] However, in the event that it wishes to waive such rights, the board must request shareholder approval given that issuing additional shares may dilute existing holders. In accordance with our *Continental Europe Benchmark Policy Guidelines*, we believe a company's general authorisations to issue shares should not cumulatively exceed 100% of its issued share capital, and issuances without preemptive rights should not cumulatively exceed 20% of its issued share capital. Further, we generally expect authorities intended to service potential obligations under equity incentive plans to fall under 5% of a company's issued share capital.

Authority to Repurchase Shares

Although Danish law does not limit the number of shares that may be repurchased,[58] we believe such authority should be limited to no more than 20% of the company's share capital. Furthermore, the authority to buyback shares cannot be granted for a period of time in excess of five years.[59] In line with our *Continental Europe Benchmark Policy Guidelines*, we will recommend voting against any proposal that seeks the authority to repurchase more than 20% of a company's total share capital.

Authority to Cancel Shares and Reduce Capital

In conjunction with a share repurchase programme, companies sometimes seek shareholder approval to cancel the repurchased shares. We generally recommend voting for such proposals.

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[56] Article 155 of the Companies Act.
[57] Articles 158 and 162 of the Companies Act.
[58] Article 198(1) of the Companies Act.
[59] Ibid.

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