

The report forms part of the management's review and concerns the financial year **1 January 2019 to 31 December 2019**

**STATUTORY STATEMENT FOR CORPORATE
GOVERNANCE CF. ART. 107b OF THE
DANISH FINANCIAL STATEMENTS ACT**

**DAMPSKIBSSELSKABET NORDEN A/S
FINANCIAL YEAR 2019**

Control and risk management in relation to the financial reporting process constitutes a part of the management's review for NORDEN for the financial year 2019

The purpose of the internal control and risk management systems is to ensure that NORDEN's financial statements are presented in accordance with applicable accounting legislation and Danish disclosure requirements for the annual reports of listed companies and to ensure fair, informative reporting without material misstatements or omissions.

The internal control and risk management systems are designed to ensure that material errors or inconsistencies in the financial reporting are identified and corrected, but they do not provide absolute assurance that all errors are detected and corrected. The systems fall under the following headings:

- Control environment
- Risk assessment
- Control procedures
- Information and communication
- Monitoring

Control environment

The Board of Directors supervises the financial reporting and the effectiveness of internal control and risk management systems and furthermore discusses significant estimates and uncertainties in relation to the financial reporting (see note 1 to the financial statements). The Executive Management is responsible for the effectiveness of the risk management system and controls and has implemented controls to mitigate risks in relation to the financial reporting.

The Board of Directors approves policies relating to, among other things, finance, treasury and risk management. The Executive Management approves all other policies and regularly briefs the Board of Directors about such policies.

The composition of the Board of Directors and the Executive Management ensures the relevant capabilities with respect to internal controls and risk management in relation to the financial reporting process.

Risk assessment

The Board of Directors and the Executive Management regularly assess risks that NORDEN is exposed to, including risks related to financial reporting. The assessment includes the risk of fraud and misconduct. NORDEN's risk profile and management are described on the website under "Risk Management".

Systems, procedures and control activities to minimise the risk of material errors and omissions in relation to financial reporting have been described and documented in respect of all significant financial reporting areas.

Control procedures

The control procedures are integrated in the accounting and reporting systems and include procedures in respect of approval and certification, system controls, reconciliations and analytical controls. The processes and systems of particular significance to the financial reporting are described in Standard Operating Procedures (SOPs).

The Executive Management follows up to ensure that any internal control weaknesses are addressed and that any errors or omissions identified and reported by the auditors are corrected, including that controls or procedures are implemented to prevent errors or omissions.

Information and communication

SOPs, reporting instructions and policies in relation to approvals and counterparty risks are updated on an ongoing basis and are available to the employees.

A Group Finance forum with representatives of all finance functions meets regularly to ensure that all finance functions are updated on the latest developments in policies and procedures so as to ensure uniform, high quality in the regular reporting that forms the basis of the financial reporting.

The information and transactions on which the financial reporting is based is compiled and registered in a single, integrated finance and information system according to uniform principles and definitions.

Monitoring

NORDEN uses a fully integrated finance and information system to monitor the accounting information. The system is able to identify material financial reporting errors and omissions, including material internal control and system weaknesses.

The Board of Directors and the Executive Management receive monthly internal financial reporting, which they review against their own knowledge and expectations. The monthly reporting is developed on an ongoing basis.

Recommendation	The company complies	The company complies partially	The company does not comply	Comments
1. Communication and interaction by the company with its investors and other stakeholders				
<i>1.1. Dialogue between company, shareholders and other stakeholders</i>				
<p>1.1.1. The Committee recommends 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.</p>	✓			<p>NORDEN engages in various activities to promote dialogue with shareholders and other external stakeholders. On the Company's website, shareholders can find updated information on the Company and its activities. In addition, NORDEN web- and audio casts the annual general meeting and the Executive Management's presentation of the quarterly reports. Shareholders and other stakeholders can also receive company announcements and other information on an ongoing basis</p>
<p>1.1.2. The Committee recommends 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.</p>	✓			<p>NORDEN has a specific investor relations policy which governs the communication to the stock market. Furthermore, the Board of Directors has adopted a communication policy, according to which the Company's relationship with its stakeholders is also described. In addition to this policy, NORDEN has drawn up procedures to ensure that the Company abides by the rules for issuers of shares according to NASDAQ OMX Copenhagen and keeps a high level of information. The policies are available on the Company's website.</p>

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1.1.3. The Committee recommends that the company publish quarterly reports	✓			NORDEN publishes interim financial reports each quarter. The reports are supplemented by investor presentations via webcast. Information on how to attend the teleconferences is issued in company announcement to the stock as well as published on the company website.
<i>1.2. General meeting</i>				
1.2.1. The Committee recommends that in organising the company’s general meeting, the board of directors plans the meeting to support active ownership.	✓			A dedicated section on the website facilitates the shareholders’ ability to participate and/or have an influence at the general meeting. NORDEN carefully follows the development in conducting electronic general meetings, but so far, the Board of Directors has resolved that general meeting by physical attendance provides the best procedure.
1.2.2. The Committee recommends that proxies or votes by post for the general meeting allow shareholders to consider each individual item on the agenda.	✓			Proxies are differentiated so that the shareholders may consider each individual item on the agenda.
<i>1.3. Takeover bids</i>				
1.3.1. The Committee recommends 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	✓			

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takeover bid by making decisions which, in reality, prevent the shareholders from deciding on the takeover bid themselves.				
2. Tasks and responsibilities of the board of directors				
<i>2.1. Overall tasks and responsibilities</i>				
2.1.1. The Committee recommends that at least once annually the board of directors consider the matters that should be included in the board’s performance of its work.	✓			The Board of Directors establishes annually its most important tasks in relation to strategy, goals, risk management, managerial and controlling matters as well as remuneration of the Executive Management. With a work calendar, the Board ensures that all relevant issues are treated during the year. The number of meetings, the meeting frequency and the most essential activities are described in the annual report. The Board of Directors reviews its Rules of Procedure on a regular basis and at least once a year.
2.1.2. The Committee recommends 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.	✓			The Board of Directors together with the Executive Board determines the company’s overall strategy at least once a year and always in connection with an annual strategy seminar which has a particular focus on the strategy and value creation of the company.
2.1.3. The Committee recommends 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	✓			The Board of Directors assesses on an ongoing basis whether the Company possesses the financial resources at any

Recommendation	The company complies	The company complies partially	The company does not comply	Comments
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.				time are sound in order for the Company to operate and achieve its strategic goals
2.1.4. The Committee recommends 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.	✓			
2.1.5. The Committee recommends that at least once annually, the board of directors discuss the composition, developments, risks and succession plans of the executive board.	✓			The Board of Directors assesses on an ongoing basis whether the Company possesses the necessary qualifications for the Company to operate and achieve its strategic goals.
<i>2.2. Corporate social responsibility</i>				
2.2.1. The Committee recommends that the board of directors adopt policies on corporate social responsibility.	✓			NORDEN has a Sustainability Strategy in place and the progress on specific issues raised are reported in the annual Sustainability Report.
<i>2.3. Chairman and vice-chairman of the board of directors</i>				
2.3.1. The Committee recommends 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.	✓			A chairman and vice chairman of the board of directors is elected promptly after the annual general meeting.
2.3.2. The Committee recommends 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	✓			

Recommendation	The company complies	The company complies partially	The company does not comply	Comments
independent, general management and control function. Resolutions on the chairman’s or other board members’ participation in day-to-day management and the expected duration hereof should be publicly announced.				
3. Composition and organisation of the board of directors				
<i>3.1. Composition</i>				
3.1.1. The Committee recommends that the board of directors annually evaluate and in the management commentary account for <ul style="list-style-type: none"> • the competencies that it must have to best perform its tasks, • the composition of the board of directors, and • the special competencies of each member. 	✓			The skills which the Board of Directors must have to best perform its tasks are reviewed annually in connection with the Rules of Procedure. The skills are described in the annual report available on the website.
3.1.2. The Committee recommends 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.	✓			The Board of Directors has adopted a policy on gender diversity to increase the share of women at NORDEN’s management levels and has set a target for the share of shareholder-elected women on the Board of Directors. Objectives and progress in achieving these are included in the annual report and the sustainability report.
3.1.3. The Committee recommends that the selection and nomination of candidates for the board of directors be carried out through a careful and transparent process 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.	✓			NORDEN strives for diversity in the Board of Directors, the Executive Management and at other management levels. The board of directors has adopted a policy on gender diversity to increase the share of women at NORDEN’s management levels and has set a target for the share of

Recommendation	The company complies	The company complies partially	The company does not comply	Comments
				shareholder-elected women on the Board of Directors.
<p>3.1.4. The Committee recommends 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"> • other executive functions, including positions on executive boards, boards of directors and supervisory boards, including board committees, in Danish and foreign enterprises, and • demanding organisational tasks. <p>Furthermore, it should be indicated if the candidates to the board of directors are considered independent.</p>	✓			Proposals of members to the Board of Directors are submitted at the general meeting, and a description of the candidates as well as a motivation are sent out together with the notice of general meeting.
<p>3.1.5. The Committee recommends 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>	✓			
<p>3.1.6. The Committee recommends that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.</p>	✓			
<p>3.2. Independence of the board of directors</p>				
<p>3.2.1. The Committee recommends 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>	✓			4 out of 6 members of the board elected by the general meeting are considered independent according to the recommendation.

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<ul style="list-style-type: none"> • 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, • 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, • represent or be associated with a controlling shareholder, • 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. • 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, • be part of the executive management in a company with cross-management representation in the company, • have been a member of the board of directors for more than 12 years, or • be a close relative with persons who are not considered independent. <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 recommends 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>	<p>✓</p>			

Recommendation	The company complies	The company complies partially	The company does not comply	Comments
<p>3.3.2. The Committee recommends 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"> • the position of the relevant person, • the age and gender of the person in question, • the person’s competencies and qualifications that are relevant to the company • whether the member is considered independent, • the member’s date of appointment to the board of directors, • expiry of the current election term, • the member’s participation in the meetings on the board of directors and committee meetings, • 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 • 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. 	✓			
<p>3.3.3. The Committee recommends 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>	✓			
<p>3.4. Board committees</p>				
<p>3.4.1. The Committee recommends that the company publish the following on the company’s website:</p>	✓			<p>NORDEN publishes the information mentioned in the recommendation on the company’s website.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	Comments
<ul style="list-style-type: none"> the terms of reference of the board committees, the most important activities of the committees during the year and the number of meetings held by each committee, and 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. 				
<p>3.4.2. The Committee recommends that a majority of the members of a board committee be independent.</p>		✓		<p>The board of directors has established an audit committee, a risk committee, a remuneration committee and a nomination committee.</p> <p>All committees have a composition securing a majority of independent members except for the nomination committee which has one independent and one not independent member.</p>
<p>3.4.3. The Committee recommends 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>	✓			<p>An audit committee has been set up with a chairman that is not the chairman of the board</p>
<p>3.4.4. The Committee recommends 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"> significant accounting policies, significant accounting estimates, related party transactions, and uncertainties and risks, including in relation to the outlook for the current year. 	✓			<p>An audit committee in line with the recommendations has been established.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	Comments
<p>3.4.5. The Committee recommends that the audit committee:</p> <ul style="list-style-type: none"> • 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, • ensure that if an internal audit has been established, a description of its functions is available and approved by the board of directors, • ensure that if an internal audit has been established, adequate resources and competencies are allocated to carry out the work, and • monitor the executive board’s follow-up on the conclusions and recommendations of the internal audit function. 	✓			<p>The Audit Committee annually considers the need for an internal audit function. For the time being, this is not considered to be needed as NORDEN’s system set-up has in-built controls and the company has implemented internal control systems which to a certain extent is reviewed by external auditors.</p>
<p>3.4.6. The Committee recommends 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"> • 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, • 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, • annually assessing the competencies, knowledge, experience and succession of the individual members of management and report to the board of directors in this respect, • recommending candidates for the board of directors and the executive board, and • proposing an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes. 	✓			<p>A nomination committee in line with the recommendations has been established.</p>
<p>3.4.7. The Committee recommends that the board of directors establish a <u>remuneration committee</u>, which is at least, responsible for the following preparatory tasks:</p>	✓			<p>A remuneration committee in line with the recommendations has been established.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	Comments
<ul style="list-style-type: none"> recommending the remuneration policy (including the “General Guidelines for incentive-based Remuneration”) to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting, 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, recommending a remuneration policy applicable for the company in general and assisting with the preparation of the annual remuneration report. 				
<p>3.4.8. The Committee recommends that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p>	✓			
<p>3.5. Evaluation of the performance of the board of directors and the executive board</p>				
<p>3.5.1. The Committee recommends 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"> contribution and results, cooperation with the executive board, the chairman’s leadership of the board of directors, the composition of the board of directors (including competencies, diversity and the number of members), the work in the committees and the committee structure, and the organisation and quality of the material that is submitted to the board of directors. 	✓			

Recommendation	The company complies	The company complies partially	The company does not comply	Comments
<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>3.5.2. The Committee recommends 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>	✓			
<p>3.5.3. The Committee recommends 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>	✓			
<p>4. Remuneration of management</p>				
<p><i>4.1. Form and content of the remuneration policy</i></p>				
<p>4.1.1. The Committee recommends 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"> • a detailed description of the components of the remuneration for members of the board of directors and the executive board, • the reasons for choosing the individual components of the remuneration, • a description of the criteria that form the basis for the balance between the individual components of the remuneration, and • an explanation for the correlation between the remuneration policy and the company’s long-term value creation and relevant related goals. 	✓			<p>The principles in NORDEN’s remuneration policy reflect the Company’s objective of attracting and retaining competent managers, which is essential in order for the Company to create long-term value for its shareholders. The chosen principles in the remuneration policy ensure both short and long-term convergence of interests between the Board of Directors, the Executive Management and the Company’s shareholders. The allotment of incentives</p>

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<p>The remuneration policy should be approved by the general meeting at least every fourth year and upon any material amendments and it should be published on the company's website.</p>				<p>is made with due regard to the Company's results and targets, competitive environment, market situation and outlook, purpose of the individual instruments and, where relevant, personal performance. The administration of incentives ensures that the incentive-based remuneration does not lead to carelessness, unreasonable conduct or inexpedient acceptance of risk.</p> <p>At present, the Board of Directors does not receive incentive-based remuneration. The policy was latest approved at the annual general meeting in 2018.</p>
<p>4.1.2. The Committee recommends that if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> • limits be set on the variable components of the total remuneration package, • 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, • clarity be established about performance criteria and measurability for the award of variable components, • 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 	<p>✓</p>			<p>See comment regarding recommendation 4.1.1.</p> <p>At the time of granting, the value of the allotted restricted shares and share options may have a total value of up to 150% of the fixed annual salary of each member of the Executive Management. The allotment of bonus to the Executive Management is on the condition that if, after allotment or payment of bonus or other variable pay, the Company can document that this has taken place based on incorrect information, the Company is entitled to demand repayment either in full or partially.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	Comments
<ul style="list-style-type: none"> 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. 				
4.1.3. The Committee recommends that remuneration of members of the board of directors does not include share options or warrants.	✓			At present, the Board of Directors does not receive any incentive-based remuneration.
4.1.4. The Committee recommends that if, in relation to long-term incentive programmes, a share-based remuneration is used, the programmes should have a 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.	✓			Restricted shares and share options can only be exercised following a vesting period of minimum 3 years from the time of granting.
4.1.5. The Committee recommends 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.	✓			NORDEN's term of notice to the members of the Executive Management is 12 months. In addition, the Executive Management may receive special severance payment equalling 12 months' salary. The essential content of the terms of retention and termination of the Executive Management is disclosed in the annual report.
4.2. Disclosure of remuneration				
4.2.1. The Committee recommends 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.	✓			The remuneration policy and compliance hereof are part of the chairman's report at the annual general meeting. See also comment to recommendation 4.2.2

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<p>4.2.2. The Committee recommends that shareholders at the general meeting consider proposals for approval of remuneration for the board of directors for the current financial year.</p>	✓			<p>Further to the comment to recommendation 4.2.1: NORDEN describes the remuneration policy, including the remuneration to the board of directors in the annual report, which is submitted for adoption at the annual general meeting.</p>
<p>4.2.3. The Committee recommends 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 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>A remuneration report in line with the recommendation is published as part of the annual report and available on the company's website.</p>
<p>5. Financial reporting, risk management and audits</p>				
<p><i>5.1. Identification of risks and transparency about other relevant information</i></p>				
<p>5.1.1. The Committee recommends 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>	✓			<p>The management commentary in the annual report includes section on material commercial risks. NORDEN seeks to reduce financial risks through diversification, guarantees or by hedging the exposure, when future risks are known. The material financial risks and management hereof is described in details on the company website.</p>

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<i>5.2. Whistleblower scheme</i>				
5.2.1. The Committee recommends that the board of directors establish a whistleblower scheme for expedient and confidential notification of serious wrongdoing or suspicions thereof.	✓			NORDEN has established a whistleblower scheme provides safe access to reporting existing or potential violations of laws and regulations, policies and guidelines, or other serious irregularities. The reporting can be done anonymously.
<i>5.3. Contact to auditor</i>				
5.3.1. The Committee recommends 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.	✓			
5.3.2. The Committee recommends 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.	✓			