

5 February 2015

## **Statutory report on corporate governance pursuant to Art. 107b of the Danish Financial Statements Act**

This statement forms part of the management review in the annual report of DONG Energy A/S for the period 1 January 2014 to 31 December 2014.

DONG Energy A/S has issued listed bonds and is a state-owned public limited company as defined in the Danish Companies Act. The company is not subject to a corporate governance codex but has decided to apply the recommendations on corporate governance issued by the Danish Committee on Corporate Governance.

The recommendations can be found at [http://corporategovernance.dk/gaeldende\\_anbefalinger](http://corporategovernance.dk/gaeldende_anbefalinger).

### **1. Shareholders and capital structure**

In February 2014, DONG Energy received a capital injection of DKK 13 billion from the investment bank Goldman Sachs and the Danish pension funds Arbejdsmarkedets Tillægspension (ATP) and PFA Pension Forsikringsaktieselskab as well as a number of the existing minority shareholders. At the same time, members of management and employees were invited to subscribe for shares in the company.

### **2. Active ownership**

Developing and maintaining good relations with all stakeholders is part of DONG Energy's policies as such relations are considered essential to the company's development. The company has adopted various policies on communications, HR, good business conduct, safety, tax and responsibility towards our customers and society in general.

As a general rule, the decision-making process at the company's annual general meeting and on the Board of Directors follows the standard rules set out in the Danish Companies Act; however, in a number of specified areas Goldman Sachs enjoys extended minority shareholder protection.

Thus, amendments to the Articles of Association are subject to consent by Goldman Sachs as are certain decisions made by the Board of Directors. These include significant deviations from the business plan presented in connection with the new investors' investment in

DONG Energy, including the start-up of activities in new business areas or in countries in which the Group is not present today. Included are also decisions concerning major acquisitions, divestments and investments that are not part of the business plan, large investments in Exploration & Production, significant issuances of new capital and hybrid capital, etc. as well as changes to the registered members of the Executive Board.

### **3. Board of Directors**

DONG Energy has a two-tier management structure, consisting of a Board of Directors and an Executive Board.

At the end of 2014, the Board of Directors had 11 members. Seven members are elected by the general meeting and four by the employees. Moreover, in accordance with the company's Articles of Association, three observers have been appointed. The observers participate in the meetings of the Board of Directors and of the Board committees, but have no voting rights. Information about the members of the Board of Directors, including their present posts, other management positions, independence and special competencies, can be found on page 46-47 in the 2014 Annual Report.

The Board of Directors is responsible for the overall management of the company and is responsible for appointing a competent Executive Board. Furthermore, the Board sets the company's strategy and makes decisions concerning major investments and divestments, the capital base, key policies, control and audit matters, risk management and significant operational issues. The remit of the Board and its Chairman is set out in the Board's rules of procedure, which are reviewed and updated annually by the Board. DONG Energy attaches importance to the members of its Board having extensive knowledge and experience from management positions in major Danish and foreign companies covering a wide range of fields of activity, including fields directly related to the company's business areas. In 2014, the Board prepared a list of the competencies that should be represented on DONG Energy's Board. The list can be found at [www.dongenergy.com/corporate\\_governance](http://www.dongenergy.com/corporate_governance).

Every year, the Board carries out a structured self-evaluation, which is organised and managed by its Chairman. The evaluation focuses, among other things, on whether all the relevant competencies are represented on the Board, and on whether these competencies are being applied and developed in the Board's tasks. In addition, focus is on the working climate and the cooperation between the members of the Board and on the planning and performance of the duties of the Board.

The Board held eight meetings and one strategy seminar in 2014. In 2014, the Board focused especially on the capital increase, safety, the progress of the Group's current investments, including in particular the Hejre project, as well as new capital investments, including the biomass conversion of Danish power stations, the Burbo Bank Extension offshore wind farm and the development of Glenlivet/Edradour.

#### **4. Nomination Committee**

A Nomination Committee is appointed after the annual general meeting each year, consisting of six members: the Chairman and Deputy Chairman of the Board of Directors and four members appointed by each of the four largest registered shareholders.

The Nomination Committee reviews the composition of the Board of Directors and recommends suitable candidates to the shareholders at the annual general meeting.

The committee held three meetings in 2014. The rules of procedure of the Nomination Committee can be found at [dongenergy.com/corporate\\_governance](http://dongenergy.com/corporate_governance).

#### **5. Executive Board and Group Executive Management**

CEO Henrik Poulsen and CFO Marianne Wiinholt are the registered members of the Executive Board of DONG Energy A/S. Information about the members of the Executive Board, including their previous employment and other executive functions, can be found on page 45 in the 2014 Annual Report.

The Board of Directors lays down detailed guidelines for the Executive Board, including the segregation of duties between the Board of Directors and the Executive Board and the latter's powers to enter into agreements on behalf of the company.

The Board of Directors carries out regular evaluations of the CEO's performance in connection with the follow-up on the company's development in relation to strategy and objectives. Once a year, the Chairman of the Board of Directors and the CEO evaluate the cooperation between the Board of Directors and the Executive Board, including their reporting and communications.

The Executive Board is responsible for the day-to-day management through the Group Executive Management, which, in addition to the members of the Executive Board, consists of the Executive Vice Presidents of the company's four business units.

#### **6. Remuneration Committee**

The Board of Directors has established a Remuneration Committee, consisting of its Chairman and two members of the Board of Directors. The members are elected for a term of one year at a time. The CEO and the Vice President of HR participate in the committee's meetings.

The committee assists the Board of Directors in the performance of its duties in connection with the preparation and implementation of the company's remuneration policy. The committee must among others, assess and prepare recommendations on the Group Executive

Management’s salary reviews, bonuses for the current and the coming year, the application of retention schemes for key personnel, the use of one-off payments and the use and introduction of new compensatory elements for members of the Group’s Leadership Forum (top 350).

The committee held four meetings in 2014. The terms of reference of the Remuneration Committee can be found at [dongenergy.com/corporate\\_governance](http://dongenergy.com/corporate_governance).

## 7. Remuneration

The members of the Board of Directors receive a fixed remuneration, while the remuneration for the Group Executive Management comprises both fixed and incentive-based elements. The incentive-based remuneration consists of an annual variable cash payment (bonus), which is linked to the financial year, and a share-based incentive programme.

### *Bonus*

The annual bonus scheme cannot exceed 30% of the fixed annual salary. The bonus targets for the Group Executive Management relate to the company’s financial and commercial performance as well as the company’s strategic focus on safety. Bonus targets support DONG Energy’s long-term strategic objectives.

Performance is measured with reference to the return on capital employed (ROCE), the results of operations (FFO) and the reduction in the lost-time injury frequency (LTIF). In addition, individual strategic performance targets are defined, such as the implementation of specific development and construction projects.

The table shows the combination of these various types of bonus targets for the CEO and the CFO

### BONUS TARGETS FOR CEO IN 2014

	2014
Return on capital employed(ROCE)	25%
Funds from operation – FFO	25%
Investment projects – On-time / On-budget	30%
Losttime injury frequency (LTIF)	20%

#### BONUS TARGETS FOR CFO IN 2014

	2014
Return on capital employed (ROCE)	25%
Funds from operation – FFO	25%
Finance deliverables to the board	20%
Procurement savings	15%
Rating	15%

#### *Share programme*

As mentioned above, the Board of Directors is not comprised by any share-based incentive programmes in DONG Energy A/S.

As employees in the Group, the employee representatives on the Board of Directors are, however, comprised by the general employee share programme described below.

The Executive Board is covered by a share programme for managers in DONG Energy, which was established in 2014 (see below).

Information on the remuneration paid to members of the Board of Directors and the Group Executive Management can be found on page 68-69 of the 2014 Annual Report. Information on the shareholdings in DONG Energy A/S of the registered members of the Executive Board as at 31 December 2014 can be found on page 70 of the 2014 Annual Report.

#### **8. Share programme for management and employees**

Through the share programme established in 2014, around 250 senior executives were invited to subscribe for shares in DONG Energy A/S for an amount equivalent to 60-100% of their fixed annual salary, depending on management level. The senior executives paid the same price as the new investors mentioned earlier. Other employees were invited to subscribe for shares for an amount of up to DKK 40,000 subject to a discount of 25% relative to the price paid by the new investors and the senior executives.

Either in the event of an IPO or in 2019 at the latest, managers and employees who have subscribed for shares will be entitled to a number of free shares, depending on the individual manager's or employee's share purchase and DONG Energy's financial performance benchmarked against ten comparable European energy companies during the period from November 2013 to the end of the share programme. The number of free shares cannot exceed 125% of the number of shares subscribed for by the individual manager

or employee in 2014. This maximum will apply if DONG Energy is rated first or second among the 11 companies included in the above benchmarking. If DONG Energy is number 11 in the benchmarking, no free shares are granted.

If the IPO is not completed, managers and employees may sell their shares, including free shares, back to the company at the fair market value determined by an independent third party. The granting of free shares is subject to the employees still being employed at the time of the IPO or up until 2019. If the contract of employment is terminated by DONG Energy or due to the employee retiring or taking early retirement, the employee will, however, retain the right to free shares. Managers will earn this right gradually during the 2014-2017 period.

### **9. Audit and Risk Committee**

The Board of Directors has appointed an Audit and Risk Committee. It consists of three members appointed by the Board of Directors for one year at a time.

In March 2014, Benny D. Loft took over as chairman of the Audit and Risk Committee from Jakob Brogaard, who stepped down from the Board of Directors. From March to August 2014, Benny D. Loft was acting Chairman of the Board of Directors. This meant that during this period DONG Energy did not comply with the recommendation that the Chairman should not at the same time perform the duties of chairman of the Audit and Risk Committee.

The members meet the requirements concerning independence, experience and expertise, also within the field of accounting, set out in the Danish recommendations on corporate governance so that the committee as a whole possesses the necessary skills. The Audit and Risk Committee assists the Board of Directors in overseeing the financial reporting process, financial and business- related risks, internal controls and compliance with statutory and other requirements from public authorities. Moreover, the committee decides the framework for the work of the company's external and internal auditors, evaluates the external auditors' independence and qualifications as well as monitoring the company's whistle-blower scheme.

In 2014, the Board of Directors decided to expand the committee's areas of responsibility to also include the integrity of the company's corporate responsibility reporting; this is reflected in the committee's terms of reference.

In 2014, the Audit and Risk Committee devoted particular attention to the identification and management of IT risks, including critical infrastructure and to transparency, openness and integrity in relation to the company's tax payments in various countries (new tax policy). Focus was also on compliance with the Board of Directors' investment mandates, assessment and management of guarantees in Wind Power partnership contracts and the statutory tendering of external auditing services. The Audit and Risk Committee held five meetings in 2014. The committee's terms of reference can be found at [dongenergy.com/corporate\\_governance](http://dongenergy.com/corporate_governance).

## **10. Internal Audit**

DONG Energy has an independent internal audit function (Internal Audit), which reports to the Audit and Risk Committee. Internal Audit provides independent and objective auditing and consulting services that are designed to improve and streamline the company's processes and control environment, including IT. The primary focus is on financial and operational auditing and compliance auditing. In addition, since January 2014 Internal Audit has been responsible for receiving and handling whistle-blower cases (see below). To ensure that Internal Audit works independently of the Executive Board, the Audit and Risk Committee approves Internal Audit's functional description, audit plan and budget. The committee also prepares recommendations to the Board of Directors on the appointment and dismissal of the Chief Audit Executive.

Based on input from the Board of Directors, the Audit and Risk Committee, the Executive Board, the Group Executive Management and relevant senior executives, an annual audit plan is prepared. The plan is reviewed and approved by the Audit and Risk Committee. Internal Audit is responsible for planning, performing and reporting on the audit performed. The report contains observations and conclusions as well as suggestions for improvements to the internal controls within each of the audited areas. Furthermore, a report is prepared for the Board of Directors.

Internal Audit was established in April 2013; in June 2014 it was validated by the Institute of Internal Auditors (IIA). The validation is based on external quality control and confirms that Internal departments. The validation ensures that the quality of the work performed by Internal Audit complies with the international requirements for a value-adding internal audit function.

## **11. Whistle-blower procedure**

DONG Energy has a whistle-blower procedure, which provides employees and other persons associated with the company with an opportunity to report serious offences, including instances of bribery, fraud and other criminal conduct. The procedure is based on a system devised by an international company specialising in such schemes to ensure the highest levels of security and confidentiality. The system comprises a separate website, a 24-hour telephone hotline, online forms in all relevant languages as well as a case handling system.

The whistle-blower procedure in its current form was established in January 2014. The changes to the existing arrangement were made with a view to strengthening the scheme and were announced in a comprehensive information campaign, which included posters, leaflets and articles on the Group's intranet.

Responsibility for the whistle-blower procedure rests with the chairman of the Audit and Risk Committee, but the daily tasks are delegated to Internal Audit, where a small group of employees is responsible for receiving and handling reports. Internal Audit also receives similar reporting via the management system. An in-depth investigation is made of all relevant reports, and steps are consistently taken in response to inappropriate or illegal business conduct.

Internal Audit reports regularly and at least quarterly to the Audit and Risk Committee on the reports submitted either via the whistle-blower scheme or via the management system as well as on any initiated and closed investigations resulting from this.

In 2014, six cases were reported which have been either partially or fully substantiated and which have all had consequences for the employment of the persons involved. The cases related to credit card abuse, kick-backs from suppliers, breaches of confidentiality, conflicts of interest and questionable supplier agreements. Most of the cases concerned conduct in contravention of the company's policies and guidelines, whereas only a few cases concerned unlawful conduct as such. None of the cases reported were critical to the business, and the cases have had no bearing on the Group's financial results. DONG Energy takes cases of this type very seriously and is focused on preventing similar cases from arising.

## **12. Diversity**

DONG Energy wishes to promote a working culture based on mutual trust and respect and to be a workplace which is able to attract the right skills, irrespective of gender, age, ethnic background, religion, etc. This is based on a fundamental belief that diversity enhances value creation. Diversity is therefore one of the fundamental principles for the way in which DONG Energy goes about its business.

The share of female managers in the Group has been increasing in recent years; however, it still does not reflect the proportion of women in the Group. For this reason, the company has further strengthened its focus on women in management. As the most important step taken, the policy for women in management has been updated to include several focus areas within the marketing of DONG Energy as a workplace, recruitment, talent development and reporting. Initiatives to increase the number of women in management do not change the fact that skills will always be the deciding factor when recruiting and promoting employees in DONG Energy.

As regards the Board of Directors, the target is that at least two of the members elected by the annual general meeting should be women, corresponding to 25%. At the moment, one of the members of the Board of Directors elected by the general meeting is a woman. The target is expected to be reached in 2015.

The target is for an average of at least 30% of the members of the Boards of Directors of DONG Energy's Danish subsidiaries to be women in 2014. At the end of 2014, the average representation was 31%. A new target has been set for an average of at least 33% of the members of the Boards of Directors of DONG Energy's Danish subsidiaries to be women in 2017.

#### WOMEN IN MANAGEMENT

	31.12.13	31.12.14	2020 target
Managers, Top Management (top 50)	14%	14%	>22%
Managers, Leadership Forum (top 350)	17%	20%	>25%
Other managers	27%	24%	>32%

DONG Energy has set targets for female managers to be met in 2020 at the latest. The targets reflect a desire to be both ambitious and realistic, without forcing developments. In the course of 2014, Top Management had a 14% share of female managers, which is unchanged compared with 2013. At the same time, the share of female managers in Leadership Forum, the levels immediately below top management, increased to 20%. The share of other female leaders fell to 24%.

### 13. Internal controls and risk management in relation to financial reporting

DONG Energy's internal controls are designed to ensure that material errors or irregularities in relation to the financial reporting are prevented or detected and corrected to ensure that the internal and external financial reporting gives a true and fair view.

In 2014, the company worked to improve the process for identifying and assessing the risks associated with the financial reporting as well as the documentation of the relationship between the identified risks and the Group's key controls. In addition, the company has been involved in documenting DONG Energy's use of the COSO framework, including the identification of the most important key controls in accordance with the COSO principles. In 2015, work on updating the company's policies and guidelines for internal controls will be performed, concurrently with the determination of responsibilities for key controls in cross-organisational processes.

### *Control environment*

The Board of Directors and the Executive Board are ultimately responsible for the Group's risk management and internal controls in relation to its financial reporting, and approve DONG Energy's general policies.

In this respect, important elements are ethics and integrity, as evidenced, among other things, in a policy on good business conduct.

The Audit and Risk Committee assists the Board of Directors in overseeing the financial reporting process and the most important risks involved in this. Furthermore, the Audit and Risk Committee oversees developments in the internal control and risk management systems as well as the business units' ongoing reporting on assessed risks and internal controls.

The Executive Board and the individual business units are responsible for the effectiveness of the internal control and risk management systems and for implementing controls aimed at mitigating the risks associated with the financial reporting. This division of responsibilities results in an effective control environment in the Group.

### *Risk assessment*

Once a year, a risk assessment is carried out focusing on the accounting items and areas which are associated with a special risk of materials errors in the financial reporting. As risks vary between the different business units, an assessment is performed for each of these, and an assessment is then carried out to establish which risks are material to the Group's internal and external financial reporting.

Accounting items based on estimates or complex processes are deemed to entail a greater risk of error.

The items and areas which are believed to be associated with the greatest risk of material errors having an impact on the financial statements are included in the internal control reporting to the management. The most high-risk accounting items and areas are listed below:

#### **HIGH-RISK ACCOUNTING ITEMS AND AREAS**

1. Construction contracts
2. Impairment of assets
3. Deferred tax
4. Useful lives of production assets

5. Financial instruments
6. Administrative IT-systems
7. Decommissioning obligations
8. Provisions and contingent liabilities
9. Fraud
10. Revenue

The high-risk accounting items which are based on the most critical accounting estimates and assessments are described in the notes to the financial statements for the Group.

As part of the risk assessment, the risk of fraud and the steps taken to mitigate this risk are considered. In this context, any possibilities for the day-to-day management to override the controls and manipulate the financial statements are also assessed. The risk assessment is reviewed by the Audit and Risk Committee.

#### *Control activities*

The controls in place are designed to prevent or detect and correct material errors in the financial statements, thereby reducing the risk to an acceptable level. The controls are based on the risk assessment and include approvals, the segregation of functions, analyses, reconciliation, assessment and follow-up on targets and controls concerning IT applications and general IT controls. The controls are integrated into the Group's monthly financial reporting process.

The work to improve the documentation of the relationship between the identified risks associated with the financial reporting and the Group's key controls is supported by a new reporting tool.

#### *Information and communications*

DONG Energy's information and communications systems are designed to meet the reporting requirements applying to listed companies. An accounting manual, reporting instructions and guidelines on internal controls have been prepared in order to ensure that the financial reporting is carried out on a uniform basis and is of a high quality. These documents are available on the Group's intranet.

### *Monitoring*

The business units' monthly financial reporting is analysed and monitored by their controllers and management. The business units' reporting and the overall consolidated financial statements are controlled at corporate level.

The business units report regularly on the performance and maturity of the Group's key controls. The persons responsible in the business units monitor the performance of the internal controls and each quarter submit a summary report on the internal controls to the Group. The reporting is supplemented by action plans for any identified weaknesses. Major initiatives, weaknesses and action plans are reported to the Audit and Risk Committee.

### *Documentation and structure*

DONG Energy uses a common reporting tool to document and report on financial risks and the performance of key controls. The reporting from the business units forms the basis for the management's monitoring of the Group's internal controls and risk management.

In the sections below, the Board of Directors of DONG Energy A/S has set out its comments to each of the recommendations.

Recommendation	The company complies	The company complies partially	The company does not comply	Explanation
<b>1. Communication and interaction by the company with its investors and other stakeholders</b>				
1.1.1 It is <b>recommended</b> that the board of directors ensure ongoing dialogue between the company and its shareholders in order for the shareholders to gain relevant insight into the company's potential and policies, and in order for the board of directors to be aware of the shareholders' views, interests and opinions on the company.	X			DONG Energy has an investor relations function and organize ongoing investor meetings based on investor relations material which are accessible to all investors on the company's website.
1.1.2. It is <b>recommended</b> that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders and other investors, and that the board ensures that the interests of the stakeholders are respected in accordance with company policies.	X			<p>The expectations of stakeholders towards DONG Energy are of significant importance, and stakeholder dialogue is a key part of how DONG Energy operates.</p> <p>DONG Energy's responsibility policy, which has been approved by the Board, is based on four principles for how the Group engages with stakeholders and addresses societal challenges: Involvement, Materiality, Action, and Transparency. Through ongoing and systematic stakeholder involvement, DONG Energy identifies areas of material interest to our stakeholders. Based on the stakeholder dialogue, DONG Energy identifies the key societal challenges,</p>

				<p>which DONG Energy must address. Further, DONG Energy defines a set of goals and supportive actions for how the group will approach these challenges.</p> <p>The progress goal realization as well as supporting actions are communicated in our annual sustainability reporting, to provide a high level of transparency.</p> <p>The Audit and Risk Committee further supervises DONG Energy's sustainability reporting.</p>
1.1.3. It is <b>recommended</b> that the company publish quarterly reports	X			<p>Quarterly interim financial reports are prepared.</p> <p>Quarterly interim financial reports are made in accordance with IAS 34 "Interim Financial Reporting" which are approved by the EU and in accordance with further Danish disclosure requirements in respect of interim financial reports for listed and state-owned public limited companies.</p>
1.2.1. It is <b>recommended</b> that, when organising the company's general meeting, the board of directors plans the meeting to support active ownership.	X			<p>In 2014, DONG Energy implemented a web-based Shareholder Portal, which will be used for communication with shareholders in connection with general meetings.</p> <p>There is an ongoing dialogue with the major shareholders of DONG Energy A/S and all major shareholders usually participate at the general meetings of the company.</p> <p>The four largest shareholders are represented on DONG Energy's Nomination Committee which</p>

				prepares recommendations in respect of the election of new members to the board of directors to be elected by the general meeting.
1.2.2. It is <b>recommended</b> that proxies granted for the general meeting allow shareholders to consider each individual item on the agenda.	X			Proxy forms which allow shareholders to consider each individual item on the agenda of the general meetings are prepared and the shareholders may grant proxy through the company's online Shareholders' Portal.
1.3.1. It is <b>recommended</b> that the company set up contingency procedures in the event of takeover bids from the time that the board of directors has reason to believe that a takeover bid will be made. According to such contingency procedures, the board of directors should not without the acceptance of the general meeting, attempt to counter the takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid themselves.			X	As DONG Energy A/S has no listed shares, DONG Energy has decided not to implement procedures regarding takeover bids for the time being.
<b>2. Tasks and responsibilities of the board of directors</b>				
2.1.1. It is <b>recommended</b> that at least once a year the board of directors take a position on the matters related to the board's performance of its responsibilities	X			<p>The Board of Directors carries out an annual self-evaluation. In 2014, the self-assessment was performed in December.</p> <p>The Board of Directors also performs an annual review of the Rules of Procedure of the Board of Directors. The Rules of Procedure were last reviewed in February 2014.</p>

<p>2.1.2. It is <b>recommended</b> that at least once a year the board of directors take a position on the overall strategy of the company with a view to ensuring value creation in the company.</p>	<p>X</p>			<p>In addition to the ongoing follow-up and review of the company strategy, an annual strategy seminar is held. In 2014, the strategy seminar was held in October.</p>
<p>2.1.3. It is <b>recommended</b> that the board of directors ensure that the company has a capital and share structure ensuring that the strategy and long-term value creation of the company are in the best interest of the shareholders and the company, and that the board of directors presents this in the management commentary on the company's annual report and/or on the company's website.</p>	<p>X</p>			<p>On an ongoing basis, the Board of Directors follow up on the capital structure of the company ensuring that the capital structure from time to time is adequate, cf. section 8.5 of the rules of procedure of the board of directors.</p> <p>For further information, please see page 34 of the 2014 Annual Report.</p>
<p>2.1.4. It is <b>recommended</b> that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board on timely, accurate and adequate reporting to the board of directors</p>	<p>X</p>			<p>The current instruction to the Executive Board was reviewed by the Board of Directors in October 2014 and it contains requirements to the Executive Board to provide the Board of Directors with timely, accurate and adequate reporting.</p>
<p>2.1.5. It is <b>recommended</b> that at least once a year the board of directors discuss the composition of the executive board, as well as developments, risks and succession plans.</p>	<p>X</p>			<p>The annual evaluation of the Executive Board is referred to in the Rules of Procedure of the Board of Directors (section 10.3) while succession planning is referred to in the terms of reference of the remuneration committee (section 1, viii). The annual evaluation of the Executive Board and succession planning were discussed at a meeting in the Remuneration Committee in December</p>

				2014 and the results will be presented to the Board of Directors in April 2015.
2.1.6. It is <b>recommended</b> that once a year the board of directors discuss the company's activities to ensure relevant diversity at management levels, including setting specific goals and accounting for its objectives and progress made in achieving the objectives in the management commentary on the company's annual report and/or on the website of the company.	X			<p>In March 2013, the Board of Directors approved a goal in respect of female representation on the board of DONG Energy A/S, the goal being two female members among the board members elected by the general meeting in 2016.</p> <p>In December 2014, the Board of Directors approved a goal for the boards of all Danish group companies, the goal being a female representation of 1/3 on an average basis in 2017.</p> <p>DONG Energy has also implemented a policy regarding female representation at other management levels.</p> <p>Please see comments on goals and status on fulfilment in the 2014 annual report (page 43).</p>
2.2.1. It is <b>recommended</b> that the board of directors adopt policies on corporate social responsibility.	X			DONG Energy's Responsibility Policy was approved by the Board of Directors on 31 January 2011. The policy is published on the website of DONG Energy.
2.3.1. It is <b>recommended</b> appointing a vice-chairman of the board of directors who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective sparring partner for the chairman.	X			Pursuant to the Articles of Association of DONG Energy A/S a vice-chairman of the Board of Directors of DONG Energy A/S is appointed annually by the general meeting.

<p>2.3.2. It is <b>recommended</b> ensuring that, if the board of directors, in exceptional cases, asks the chairman of the board of directors to perform special operating activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect be passed to ensure that the board of directors maintains it's independent, overall management and control function. Resolutions on the chairman's participation in day-to-day management and the expected duration hereof should be published in a company announcement.</p>	<p>X</p>			<p>This situation has never occurred. Should the situation occur, DONG Energy intends to comply with the recommendation.</p>
<p><b>3. Composition and organisation of the board of directors</b></p>				
<p>3.1.1. It is <b>recommended</b> that the board of directors annually accounts for</p> <ul style="list-style-type: none"> <li>• the skills it must have to best perform its tasks,</li> <li>• the composition of the board of directors, and</li> <li>• the special skills of each member.</li> </ul>	<p>X</p>			<p>The Articles of Association of DONG Energy A/S (10.4) and the Rules of Procedure of the Nomination Committee (2.1) include a high-level description of the skills that the Board of Directors must have to best perform its tasks.</p> <p>In December 2014, the Board of Directors approved a competency profile for board members, which is available on <a href="http://dongenergy.com">dongenergy.com</a>.</p> <p>The 2014 annual report includes a description of the composition of the board of directors, including the special skills of each member.</p>

<p>3.1.2. It is <b>recommended</b> that the selection and nomination of candidates for the board of directors be carried out through a thoroughly transparent process approved by the overall board of directors. When assessing its composition and nominating new candidates, 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.</p>	<p>X</p>			<p>In DONG Energy A/S, the selection and nomination of candidates for the Board of Directors is handled by the Nomination Committee in accordance with the Articles of Association and the Rules of Procedure of the committee.</p> <p>The Board of Directors is represented by the chairman and the deputy chairman on the Nomination Committee.</p>
<p>3.1.3. It is <b>recommended</b> that description of the nominated candidates' qualifications, including information about the candidates'</p> <ul style="list-style-type: none"> <li>• other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises, be accompanied by the notice convening the general meeting when election of members to the board of directors is on the agenda.</li> <li>• demanding organisational tasks, and information</li> <li>• about whether candidates to the board of directors are considered independent.</li> </ul>	<p>X</p>			<p>No supplemental information.</p>

<p>3.1.4. It is <b>recommended</b> that the company's articles of association stipulate a retirement age for members of the board of directors.</p>			X	<p>The Articles of Association of DONG Energy includes no retirement age for board members, but age is included as a parameter in the overall assessment of the Board of Directors and new candidates.</p>
<p>3.1.5. It is <b>recommended</b> that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting</p>	X			<p>Members of the Board of Directors elected by the General Meeting are up for election at each annual general meeting (re-election is possible), cf. section 10.2 of the articles of association.</p>
<p>3.2.1. It is <b>recommended</b> that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests.</p> <p>To be considered independent, this person may not:</p> <ul style="list-style-type: none"> <li>• be or within the past five years have been member of the executive board, or senior staff member in the company, a subsidiary undertaking or an associate,</li> <li>• within the past five years, have received larger emoluments from the company/group, a subsidiary undertaking or an associate in another</li> </ul>	X			<p>At least half of the members of the Board of Directors elected by the general meeting are considered independent in accordance with the recommendation.</p>

<p>capacity than as member of the board of directors,</p> <ul style="list-style-type: none"> <li>• represent the interests of a controlling shareholder,</li> <li>• within the past year, have had significant business relations (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management in companies with corresponding connection) with the company, a subsidiary undertaking or an associate.</li> <li>• be or within the past three years have been employed or partner at the external auditor,</li> <li>• have been chief executive in a company holding cross-memberships with the company,</li> <li>• have been member of the board of directors for more than 12 years, or</li> <li>• have been close relatives with persons who are not considered independent.</li> </ul>				
<p>3.3.1. It is <b>recommended</b> that each member of the board of directors assesses the expected time commitment for each function in order that the member does not take on more functions than he/she can manage satisfactorily for the company.</p>	X			No supplemental remarks.

<p>3.3.2. It is <b>recommended</b> that the management commentary, in addition to the provisions laid down by legislation, includes the following information about the members of the board of directors:</p> <ul style="list-style-type: none"> <li>• the position of the relevant person,</li> <li>• the age and gender of the relevant person,</li> <li>• whether the member is considered independent,</li> <li>• the date of appointment to the board of directors of the member,</li> <li>• expiry of the current election period,</li> <li>• other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises and</li> <li>• demanding organisational tasks, and</li> <li>• the number of shares, options, warrants and similar in the company, and other group companies of the company, owned by the member, as well as changes in the portfolio of the member of the securities mentioned which have occurred during the financial year.</li> </ul>	<p>X</p>			<p>Please see pages 46 and 47 in the 2014 Annual Report.</p>
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<p>3.4.1. It is <b>recommended</b> that the company publish the following on the company's website:</p> <ul style="list-style-type: none"> <li>• The terms of reference of the board committees,</li> <li>• the most important activities of the committees during the year, and the number of meetings held by each committee, and</li> <li>• the names of the members of each committee, including the chairmen of the committees, as well as information on which members are independent members and which members have special qualifications.</li> </ul>	X			<p>The Board of Directors of DONG Energy has established a Remuneration Committee and an Audit and Risk Committee.</p> <p>Information about the committees is included above (Sections 6 and 9) and in the 2014 annual report (pages 41 and 42).</p> <p>The terms of reference of the Remuneration Committee and the Audit and Risk Committee are published on the company's website.</p>
<p>3.4.2. It is <b>recommended</b> that a majority of the members of a board committee be independent.</p>	X			<p>The Audit and Risk Committee and the Remuneration Committee consist of 3 members each. The majority of members are deemed independent in accordance with the corporate governance recommendations.</p>
<p>3.4.3. It is <b>recommended</b> that the board of directors set up a formal <u>audit committee</u> composed such that</p> <ul style="list-style-type: none"> <li>• the chairman of the board of directors is not chairman of the audit committee, and</li> </ul>	X			<p>The Board of Directors has established an Audit &amp; Risk Committee.</p> <p>It is assessed that all members of the Audit and Risk Committee have qualifications in financial, accounting and audit aspects.</p> <p>During the period from 12 March to 7 August</p>

<ul style="list-style-type: none"> <li>• between them, the members should possess such expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit aspects of companies whose shares are admitted to trading on a regulated market.</li> </ul>				<p>2014 Benny D. Loft temporarily held the position as chairman of the Board of Directors and chairman of the Audit &amp; Risk Committee. Consequently, DONG Energy did not temporarily comply with the recommendation during this period, which was approved by the Board of Directors and disclosed on the home page of DONG Energy.</p>
<p>3.4.4. It is <b>recommended</b> that prior to the approval of the annual report and other financial reports, the audit committee monitors and reports to the board of directors about:</p> <ul style="list-style-type: none"> <li>• significant accounting policies,</li> <li>• significant accounting estimates,</li> <li>• related party transactions, and</li> <li>• uncertainties and risks, including in relation to the outlook for the current year.</li> </ul>	<p>X</p>			<p>Reference is made to section I (under Responsibilities) in the terms of reference of the Audit and Risk Committee</p>

<p>3.4.5. It is <b>recommended</b> that the audit committee:</p> <ul style="list-style-type: none"> <li>annually assesses the need for an internal audit, and in such case, makes recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, and</li> <li>monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function.</li> </ul>	X			<p>DONG Energy established an internal audit function on 1 April 2013.</p> <p>The internal audit function is further described in Section C (under Responsibilities) in the terms of reference of the Audit and Risk Committee.</p>
<p>3.4.6. It is <b>recommended</b> that the board of directors establish a <u>nomination committee</u> chaired by the chairman of the board of directors with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>describe the qualifications required by the board of directors and the executive board, and for a specific membership, state the time expected to be spent on having to carry out the membership, as well as assess the competences, knowledge and experience of the two governing bodies combined,</li> <li>annually assess the structure, size, composition and results of the board of</li> </ul>		X		<p><u>Board members to be elected by the general meeting:</u></p> <p>DONG Energy has appointed a Nomination Committee in accordance with section 12 of the Articles of Association of the company.</p> <p>The Nomination Committee consists of the chairman and vice chairman of the board of directors as well as one representative of each of the four largest shareholders of the company. As most members of the committee are appointed by the largest shareholders of the company, the committee has a different composition than what is contemplated in the recommendation.</p> <p>The Nomination Committee's purpose is to render recommendations to the general meeting of</p>

<p>directors and the executive board, as well as recommend any changes to the board of directors,</p> <ul style="list-style-type: none"> <li>• annually assess the competences, knowledge and experience of the individual members of management, and report to the board of directors in this respect,</li> <li>• consider proposals from relevant persons, including shareholders and members of the board of directors and the executive board for candidates for the board of directors and the executive board, and</li> <li>• propose an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.</li> </ul>				<p>DONG Energy regarding election of members of the board of directors to be elected by the general meeting.</p> <p><u>Executive Board / Group Executive Management</u> The Nomination Committee is neither involved in the appointment or assessment of the Executive Board nor in the other matters set out by the recommendation.</p>
<p>3.4.7. It is <b>recommended</b> that the board of directors establish a <u>remuneration committee</u> with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• to recommend 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,</li> <li>• make proposals to the board of directors</li> </ul>	<p>X</p>			<p>The Board of Directors has established a Remuneration Committee.</p>

<p>on remuneration for members of the board of directors and the executive board, as well as ensure 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 about the total amount of remuneration that members of the board of directors and the executive board receive from other companies in the group, and</p> <ul style="list-style-type: none"> <li>• recommend a remuneration policy applicable for the company in general.</li> </ul>				
<p>3.4.8. It is <b>recommended</b> that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p>	X			No supplemental remarks.
<p>3.5.1. It is <b>recommended</b> that the board of directors establish an evaluation procedure where contributions and results of the board of directors and the individual members, as well as collaboration with the executive board are annually evaluated. Significant changes deriving from the evaluation should be included in the management commentary or on the company's website.</p>	X			In January 2015, a self-evaluation of the Board of Directors was conducted.

<p>3.5.2. It is <b>recommended</b> that in connection with preparation of the general meeting, the board of directors consider whether the number of members is appropriate in relation to the requirements of the company. This should help ensure a constructive debate and an effective decision-making process in which all members are given the opportunity to participate actively.</p>	X			<p>As part of the self-evaluation of the Board of Directors, the board considers whether the number of members is appropriate.</p>
<p>3.5.3. It is <b>recommended</b> that at least once every year the board of directors evaluate the work and performance of the executive board in accordance with predefined clear criteria.</p>	X			<p>The annual evaluation of the Executive Board was discussed at a meeting in the Remuneration Committee in December 2014 and the results will be presented to the Board of Directors in April 2015.</p>
<p>3.5.4. It is <b>recommended</b> that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the board of directors and the chief executive officer and that the outcome of the evaluation be presented to the board of directors.</p>	X			<p>The evaluation of the cooperation between the Board of Directors and the Executive Board was handled as part of the self-evaluation of the Board in January 2015 and at a subsequent dialogue between the chairman and the CEO.</p>
<p><b>4. Remuneration of management</b></p>				
<p>4.1.1. It is <b>recommended</b> that the board of directors prepare a clear and transparent remuneration policy for the board of directors and the executive board, including</p>	X			<p>In February 2014, The Board of Directors and the General Meeting approved a revised remuneration policy for the Board of Directors and the Executive Board.</p>

<ul style="list-style-type: none"> <li>• a detailed description of the components of the remuneration for members of the board of directors and the executive board,</li> <li>• the reasons for choosing the individual components of the remuneration, and</li> <li>• a description of the criteria on which the balance between the individual components of the remuneration is based.</li> </ul> <p>The remuneration policy should be approved by the general meeting and published on the company's website.</p>				<p>The remuneration policy is published on the company's website.</p>
<p>4.1.2. It is <b>recommended</b> that, if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> <li>• limits be set on the variable components of the total remuneration package,</li> <li>• a reasonable and balanced linkage be ensured between remuneration for governing body members, expected risks and the value creation for shareholders in the short and long terms,</li> <li>• there be clarity about performance criteria and measurability for award of variable components,</li> <li>• there be criteria ensuring that qualifying periods for variable components in remuneration agreements are longer</li> </ul>	<p>X</p>			<p>No supplemental remarks.</p>

<p>than one calendar year, and</p> <ul style="list-style-type: none"> <li>• an agreement is made which, in exceptional cases, entitles the company to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be misstated.</li> </ul>				
<p>4.1.3. It is <b>recommended</b> that remuneration of members of the board of directors does not include share options.</p>	X			<p>Pursuant to the remuneration policy the Board of Directors are not comprised by any share option or warrant programmes.</p>
<p>4.1.4. It is <b>recommended</b> that if share-based remuneration is provided, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should have a maturity of at least three years from the date of allocation.</p>		X		<p>The Executive Board is comprised by the share program for leaders established in 2014.</p> <p>Based on discussions with the major shareholders, the program was structured as a one-off program with an initial subscription of shares and a periodic allocation of rights to Matching Shares over a 4 year period.</p> <p>Given that DONG Energy has implemented a one-off program and that rights to Matching Shares are allocated in 2014 - 2017 and matures at an IPO or in 2019 at the latest, DONG Energy does not fully comply with the recommendation.</p>
<p>4.1.5. It is <b>recommended</b> that agreements on termination payments should not amount to more than two years' annual remuneration.</p>	X			<p>A severance package is included in the service contract of the CEO and the CFO, according to which a dismissal results in payment of 24 months' salary in the form of salary during the notice period (12 months) and a severance payment (12 months).</p>

4.2.1. It is <b>recommended</b> that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's statement at the company's general meeting.	X			The remuneration policy will when relevant be included in the chairman's statement at the general meeting.
4.2.2. It is <b>recommended</b> that the proposed remuneration for the board of directors for the current financial year be approved by the shareholders at the general meeting.	X			Please see section 7.2 of the articles of association (item no. 8).
4.2.3. It is <b>recommended</b> that the total remuneration granted to each member of the board of directors and the executive board by the company and other companies in the group, including information on the most important contents of retention and retirement/resignation schemes, be disclosed in the annual report and that the linkage with the remuneration policy be explained.	X			Please see the 2014 annual report (pages 68 and 69 (note 2.6)).
<b>5. Financial reporting, risk management and audits</b>				
5.1.1. It is <b>recommended</b> that the board of directors in the management commentary review and 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.	X			Please see the 2014 annual report pages 35-39.

<p>5.2.1. It is <b>recommended</b> that the board of directors decide whether to establish a whistle-blower scheme for expedient and confidential notification of possible or suspected wrongdoing.</p>	<p>X</p>			<p>A whistle-blower scheme is in place in DONG Energy.</p>
<p>5.3.1. It is <b>recommended</b> that the board of directors ensure regular dialogue and exchange of information between the auditor and the board of directors, including that the board of directors and the audit committee at least once a year meet with the auditor without the executive board present. This also applies to the internal auditor, if any.</p>	<p>X</p>			<p>Please see section C (under “Organisation”) in the terms of reference of the Audit and Risk Committee.</p>
<p>5.3.2. It is <b>recommended</b> that the audit agreement and auditors’ fee be agreed between the board of directors and the auditor on the basis of a recommendation from the audit committee.</p>	<p>X</p>			<p>No supplemental remarks.</p>