

2 February 2017

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

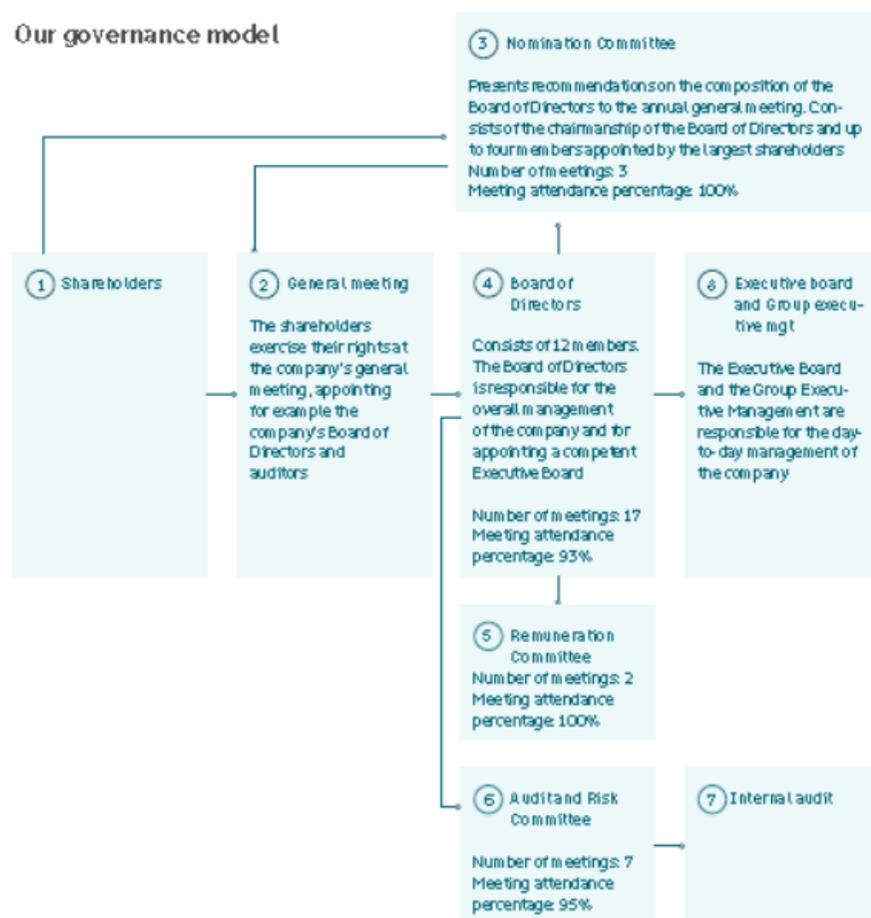
This statement forms part of the management review in the annual report of DONG Energy A/S for the period 1 January 2016 to 31 December 2016.

### **I. The composition of the management boards and committees and their function**

We have worked with corporate governance for many years. Each year, we consider the recommendations from the Danish Committee on Corporate Governance, describe corporate governance in our annual report and prepare a detailed report, which you can find on our website.

The IPO has led to certain changes in our governance model. Relations between the major shareholders were previously governed by an agreement made between the shareholders who took part in the capital injection in 2014. In connection with the IPO, most parts of this agreement ceased to apply. This means that none of our major shareholders are now entitled to elect a member of our Board of Directors, and Goldman Sachs shall no longer approve certain Board decisions. Our governance model is now in line with that of other major Danish listed companies.

## Our governance model



### 1. Shareholders

Our shareholders exercise their rights at the general meeting, which for example appoints the Board of Directors and the auditors.

### 2. General meeting

The general meeting adopts decisions in accordance with the general rules set out in the Danish Companies Act. However, for the general meeting to be able to approve proposals to amend the Articles of Association or to dissolve the company, the Danish State,

as principal shareholder, must participate in the general meeting and vote in favour of the proposal.

### **3. Nomination Committee Members and duties**

The Nomination Committee has been appointed in accordance with the Articles of Association and consists of the Chairman and Deputy Chairman of the Board of Directors and up to four members appointed by the largest shareholders every autumn. If one of the four largest shareholders decides not to be represented on the committee, the right of appointment is transferred to the fifth largest shareholder and so on.

Before the IPO, the shareholders Goldman Sachs, SEAS-NVE and ATP were each entitled to appoint a member of our Board of Directors. In addition, Goldman Sachs was represented by two observers on the board. These rights ceased to apply in connection with the IPO. Today, our Nomination Committee therefore plays an even more important role in ensuring that the right candidates with the right skills are put forward for election by the shareholders at the general meeting. Current members of the committee are Thomas Thune Andersen, Lene Skole, Rasmus Lønborg (elected by the Danish Ministry of Finance), Michael Specht Bruun (elected by Goldman Sachs), Jesper Hjulmand (elected by SEAS-NVE) and Kasper Ahrndt Lorenzen (elected by ATP).

The committee's work results in a number of written recommendations for the re-election or the new election of board members. We publish and submit the recommendations to the shareholders before the annual general meeting. The committee does not perform any other duties for the company.

The Nomination Committee's duties, meetings, etc. are described in its rules of procedure, which you can find at [www.dongenergy.com/corporate\\_governance](http://www.dongenergy.com/corporate_governance).

### **Special tasks in 2016**

In March 2016, the committee recommended to the general meeting that all members of the Board of Directors be re-elected, and the general meeting followed the recommendation. At its meeting in September 2016, the committee approved the meeting schedule for the year and discussed the composition of the Board of Directors as well as the need for replacements following the IPO. The committee also assessed the skills and profiles of the various board members, including the need to strengthen experience within management of large investment projects and corporate finance. The committee decided to start a recruitment process to strengthen these skills on the Board of Directors.

### **4. Board of Directors Members and duties**

The Board of Directors has 12 members. The general meeting elects eight members each year, and the employees elect four members,

usually every four years. Information about the members of the Board of Directors, their other supervisory and executive positions, independence and special competencies can be found on page 60-61 of the annual report for 2016.

The Board of Directors is responsible for the overall management of the company. The Board of Directors lays down 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 Board of Directors appoints the Executive Board.

The Board of Directors has appointed two committees from among its members, an Audit and Risk Committee and a Remuneration Committee. The Board of Directors has adopted rules of procedure, which describe the work and duties of the Board of Directors and the two committees. Each year, the Board of Directors assesses the need to update the rules of procedure. You can read about the rules of procedure of the Board of Directors and the two committees at [www.dongenergy.com/corporate\\_governance](http://www.dongenergy.com/corporate_governance).

### **Special tasks in 2016**

Alongside the ordinary work of the Board of Directors, the Board of Directors spent a lot of time on the IPO. Throughout the IPO process, the Board of Directors and the Executive Board looked after the company's interests. Among other things, the Board of Directors considered the prospectus, compliance and corporate matters, our new share programme for senior executives and corporate governance.

The Board of Directors also laid down a new investor relations policy and guidelines stipulating how the Board of Directors must act in the event of a takeover bid for DONG Energy. The ordinary work of the Board of Directors was also characterised by high levels of activity, among other things in connection with the final investment decisions taken on the three new offshore wind farms in the UK, Germany and the Netherlands.

Several board members hold executive positions in other companies in the energy sector or companies which have other business relations with us. The persons in question and the Board of Directors as a whole are therefore very aware of the risk of conflicts of interest. In 2016, the Board of Directors adopted supplementary guidelines to avoid conflicts of interest.

The Board of Directors conducted its annual self-assessment in November and December 2016. All members of the Board of Directors completed an anonymous questionnaire, and the Chairman of the Board of Directors had a dialogue with each individual member prior to the Board of Directors discussing the results. At the meeting, the Board of Directors also considered the follow-up items from last year's self-assessment.

### **Important tasks of the Board of Directors in 2016:**

#### *Investments and divestments*

- Capital investments in the offshore wind projects Hornsea 1 in the UK, Borssele 1 & 2 in the Netherlands and Borkum Riffgrund 2 in Germany
- Capital investment in a bio plant in the UK designed to handle unsorted household waste by means of enzymes

- Divestment of ownership interests in the offshore wind farms Burbo Bank Extension and Race Bank in the UK
- Divestment of the Danish gas distribution activities
- Divestment of certain Norwegian oil and gas fields.

#### *Other tasks*

- Development of our project portfolio for offshore wind after 2020, including start-up of activities in Taiwan and the USA
- Decision to divest the oil and gas business
- Termination of the contract concerning the construction of the Hejre platform
- Buy-back of senior bonds in the amount of just over EUR 500 million
- Appeal against the judgment of the Copenhagen Maritime and Commercial Court in the Elsam case.

### **Remuneration**

Each year, the general meeting approves the remuneration for the members of the Board of Directors for the coming year. In the new section on remuneration on page 55-56 of the 2016 annual report, you can read more about the remuneration of the Board of Directors.

### **5. Remuneration Committee**

#### **Members and duties**

Thomas Thune Andersen (Chairman), Pia Gjellerup and Martin Hintze are members of the Remuneration Committee.

The committee assists the Board of Directors in preparing and implementing the remuneration policy. The committee assesses and prepares recommendations on Group Executive Management's salary adjustments, bonuses, the application of retention schemes for key personnel, the use of one-off payments and the introduction of new compensatory elements. In 2016, the Remuneration Committee discussed, among other things, the introduction of a new share programme and a number of retention schemes.

### **6. Audit and Risk Committee**

#### **Members and duties**

Benny D. Loft (Chairman), Lene Skole and Claus Wiinblad are members of the Audit and Risk Committee.

The committee assists the Board of Directors in overseeing the financial and non-financial reporting process, financial and business-related risks, compliance with statutory and other requirements from public authorities and the internal control environment. Moreover, the committee approves the framework for the work of the company's external and internal auditors, evaluates the external auditors' independence and qualifications and monitors the company's whistleblower scheme.

#### **Special tasks in 2016**

New rules governing statutory audits were implemented in Denmark in 2016. As a result, the committee's terms of reference have been updated to reflect the changed responsibilities. The committee has also approved a new policy for the use of a group auditor. Among other things, it introduces a cap on fees charged by the group auditor for the provision of non-audit services of 100% of the group fee

as well as a preliminary approval of non-audit services. The committee may approve the exceeding of the limit.

#### **Important tasks of the Audit and Risk Committee in 2016**

##### *Audit and accounting*

- Implementation of new auditor's report on consolidated financial statements
- Review of the presentation of Oil & Gas as discontinued operations
- Assessment of need for impairment of oil and gas assets
- Review of accounting treatment of the new share programme for senior executives
- Review of provisions regarding the termination of the contract concerning the Hejre platform
- Implementation of new structure in quarterly reports, annual report and sustainability report following IPO
- Review of expectations regarding market prices, foreign exchange rates, discount rates and risk-free interest.

##### *Risk*

- Review of IT security in operational and administrative areas as well as cyber defence
- Review of the impact of the UK's vote to leave the EU (Brexit)
- Review of cash reserves, repayment of bank loans and redemption of bonds
- Approval of new mandate for managing interest rate and inflation risks.

## **7. Internal Audit**

### **Members and duties**

Our internal audit department reports to the Audit and Risk Committee. This means that the department is independent of our general management structures. Internal Audit suggests improvements and ways of streamlining our processes and control environment. Internal Audit is primarily involved in reviewing and advising on our key processes and risk management, amongst others in relation to IT security.

The Chairman of the Audit and Risk Committee is responsible for the whistleblower scheme. Internal Audit receives and processes any reports submitted.

### **Special tasks in 2016**

Internal Audit undertook special revision and consultancy tasks within the following areas: management and control of model risks, implementation of a new system for monitoring various types of expenditure, hedging of commodities and currencies, as well as the monitoring of whether our suppliers and other business partners comply with international standards for human and labour rights, the environment and anti-corruption.

### **Whistleblower scheme**

Our employees and other associates can report serious offences, such as cases of bribery, fraud and other criminal offences, to our whistleblower scheme or via our management system. In 2016, the reports resulted in three substantiated cases. Two cases concerned conflicts of interest in connection with external business partners, and one case concerned kickbacks from two suppliers. The cases have

had consequences for the involved employees and consultants' employment with us. None of the cases reported were critical to our business, nor have they impacted our financial results. We look very seriously on such cases and do what we can to avoid that similar cases occur again.

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

### **Members and duties**

Henrik Poulsen (CEO) and Marianne Wiinholt (CFO) are the members of the Executive Board of DONG Energy A/S. The Executive Board is responsible for the day-to-day management of the company. The Board of Directors has laid down guidelines for the work of the Executive Board, including the division of work between the Board of Directors and the Executive Board and the Executive Board's powers to enter into agreements on behalf of DONG Energy. The Board of Directors regularly discusses the CEO's performance, for example by following up on developments seen in relation to our strategy and objectives. The Chairman of the Board of Directors and the CEO also regularly discuss the cooperation between the Board of Directors and the Executive Board.

The daily management is also handled by Group Executive Management, which in addition to Henrik Poulsen and Marianne Wiinholt comprises the Executive Vice Presidents of our four business units: Samuel Leupold (Wind Power), Thomas Dalsgaard (Bioenergy & Thermal Power), Morten H. Buchgreitz (Distribution & Customer Solutions) and David B. Cook (Oil & Gas).

You can find information about the members of the Executive Board, including their previous employment and other executive functions, on page 59 of the 2016 annual report. The section in the 2016 annual report on remuneration on pages 55-56 includes a description of the remuneration of the Executive Board.

### **How we relate to the Recommendations on Corporate Governance**

As a listed company, we consider the Recommendations on Corporate Governance prepared by the Danish Committee on Corporate Governance. You can find the recommendations at [www.corporategovernance.dk](http://www.corporategovernance.dk).

We derogate wholly or in part from the following recommendations:

- Our shareholders have decided not to stipulate a retirement age for members of the Board of Directors in our Articles of Association as an age limit is deemed to reduce the number of eligible candidates, thereby potentially reducing the expertise of the Board of Directors.
- Our shareholders have also decided that the Articles of Association should include provisions on a Nomination Committee consisting of members of the Board of Directors as well as other members elected by the shareholders. The committee looks solely on the composition of the Board of Directors and prepares recommendations for the general meeting on the election of board members. The idea behind the committee is to structure the dialogue among our major shareholders on the composition of

the Board of Directors. The members and duties of the Nomination Committee therefore differ from those envisaged by the Recommendations on Corporate Governance.

- After the IPO, we introduced a new share programme for the Executive Board. The programme complies with the Recommendations on Corporate Governance, except that the first vesting period is slightly shorter than the recommended three years. This is due to the fact that the programme was introduced in autumn 2016, and that we will prepare an assessment for the first time in spring 2019. Future allotments will take place in spring, so that the vesting period is three years.

The Danish state has an ownership policy. The policy contains recommendations on corporate governance which apply to the minister responsible and the state-owned companies. As a listed company, we consider the recommendations from the Danish Committee on Corporate Governance, and therefore we do not report on the recommendations in the ownership policy.

## **II. Internal controls and risk management in relation to reporting**

The purpose of DONG Energy's internal controls is to ensure reliable and transparent reporting and uphold high ethical standards.

Our internal controls are designed to ensure that material errors or irregularities in relation to reporting are prevented or detected and corrected.

The internal control work was in 2016 further strengthened by the implementation of an Internal Control Policy. Further work on updating guidelines for internal controls will be conducted in 2017 regarding maturity and scoping of key controls.

### *Control environment*

The control environment is defined by policies, guidelines, internal processes and organisational structures that provide the basis for carrying out internal controls across our organisation.

The Board of Directors and the Executive Board are responsible for the Group's internal controls and risk management in relation to reporting and approves the general policies within these aspects.

In this respect, important elements are ethics and integrity, as evidenced in our five guiding principles. These are available on [dongenergy.com](http://dongenergy.com).

The Audit and Risk Committee assists the Board of Directors in overseeing the reporting process and the most important risks involved. 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 reporting. This division of responsibilities provides an effective control environment in the Group.

Control environment – examples	
<p><b>Our five guiding principles</b></p> <p>The way we work is based on five guiding principles. The principles set the tone at the top in order to ensure trustworthy and sufficient reporting and uphold high ethical standards.</p>	<p><b>Good business conduct policy</b></p> <p>We have zero tolerance of bribery and similar corrupt practices, fraud and other types of inappropriate business behaviour. The policy deals with good business behaviour and sets out principles that applies to all our staff and all the Group’s business dealings and in all countries in which we operate.</p>
<p><b>The Internal Control Policy</b></p> <p>The policy includes detailed directions for our internal control activities. The policy establishes our objectives of internal controls, how the policy is enforced, whom it affects, and who is in charge. The policy supports our five guiding principles.</p>	<p><b>Authorization Rules</b></p> <p>Transactions of major economic or strategic importance are to be approved in accordance with the Authorization Rules. The rules specify approval rights and monetary limits.</p>

*Risk assessment*

In order to detect and prevent possible risks of material errors in the reporting, we carry out an annual risk assessment which forms the basis for determining how risks will be managed and mitigated by the internal controls.

The risk assessment focuses on the items and processes, which are associated with a significant risk. First, the group objectives are set and then a risk assessment is performed for each business unit. Based on this, an assessment is then carried out to establish which risks are material to the Group’s reporting.

The items and areas which are believed to represent the greatest risk of material errors having an impact on the reporting are included in the internal control reporting to the management.

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 reporting are also assessed. The risk assessment is reviewed by the Audit and Risk Committee.

Key reporting risk	Key control activities
<p><b>Construction contracts</b> Processes are complex and manual and involve a high degree of estimates in relation to degree of completion, incentive agreements, liabilities assumed etc.</p>	<ul style="list-style-type: none"> <li>• Monthly monitoring of physical progress</li> <li>• Use of recognised project management models</li> <li>• Project and finance controlling</li> <li>• High degree of management involvement</li> </ul>
<p><b>Divestments</b> Incorrect recognition of divestments of as-sets and businesses including contingent considerations, warranties and calculations of gains/losses.</p>	<ul style="list-style-type: none"> <li>• Reviews of calculations and assumptions pre- and post the transaction</li> <li>• High degree of management and specialist involvement</li> </ul>
<p><b>Provisions incl. onerous contracts</b> Provisions are affected by uncertainties of litigation, contractual claims, market developments, complex contracts etc. The provisions are based on management judgement and are inherently subjective.</p>	<ul style="list-style-type: none"> <li>• Quarterly update of overview of liabilities based on e.g. financial reporting, contract archive, legal case list etc.</li> <li>• Reviews of calculations and assumptions for provisions</li> </ul>
<p><b>Financial derivative transactions</b> Consists of complex instruments, high number of transactions and complex IT systems. When the life of the contracts is beyond the liquid market period, judgement is used to assess the value.</p>	<ul style="list-style-type: none"> <li>• Established processes for test of new instruments and evaluation of financial instruments</li> <li>• Monthly analytical review of the valuation of financial instruments performed by specialists</li> <li>• IT-setup supporting segregation of duties</li> </ul>
<p><b>Administrative IT systems</b> Inadequate controls over access to IT systems, physical security, back-up, system development, change management and system interfaces result in risk of misstated information in the financial reporting.</p>	<ul style="list-style-type: none"> <li>• Controls to mitigate unauthorized access to IT systems, physical security controls, data back-up and recovery controls, system development and change management controls, manual controls related to system interfaces</li> </ul>
<p><b>Decommissioning provisions</b> High degree of uncertainties related to estimates of future cost of decommissioning due to lack of guidance from authorities and experience in decommissioning.</p>	<ul style="list-style-type: none"> <li>• Annual calculations based on information and assumptions from internal specialists or third parties and assessed by internal specialists</li> <li>• Method and technology are updated if significant assumptions change</li> </ul>

<p><b>Impairment assessment</b> Risk of failing to identify impairments losses due to uncertainties regarding key assumptions future cash flow forecasts or recoverable amount, complex estimates and subjective judgements.</p>	<ul style="list-style-type: none"> <li>• Centralized impairment test process</li> <li>• Frequently evaluation of key assumptions</li> <li>• Model review and testing</li> <li>• High degree of management involvement</li> </ul>
<p><b>Revenue recognition</b> Accrued revenue in relation to unread and unbilled revenue and revenue from commercial gas contracts is subject to uncertainty due to complex calculation models and contracts and high level of estimates.</p>	<ul style="list-style-type: none"> <li>• Monthly analysis including sanity checks of data in calculation models</li> <li>• Follow-up analyses where estimates are compared to actual revenue</li> <li>• Reconciliation of open positions, outstanding conformations and controls over volume and price</li> </ul>
<p><b>Tax, duties and VAT</b> Risk of not-identified tax, VAT or duty practice can result in claims towards DE or unnecessary costs including the risk of uncertain tax positions relating to Transfer pricing.</p>	<ul style="list-style-type: none"> <li>• Quarterly meetings with tax/transfer pricing, VAT responsible in DK, NO, UK and GER, where risks are addressed, including development in tax audit</li> <li>• High degree of management and specialist involvement</li> </ul>
<p><b>Discontinuing of O&amp;G business</b> Presentation of the planned divestment of O&amp;G as a disposal group and as a discontinued operation is dependent on subjective judgements and assumptions.</p>	<ul style="list-style-type: none"> <li>• Assessment of relevant assumptions in IFRS 5 on discontinued operations and asset held for sale</li> <li>• Performed impairment test based on fair value less cost to sale, reassessment of tax assets, assessment of ineffective hedges</li> </ul>
<p><b>Non-financial data</b> Risk of data being inaccurate or incomplete e.g. due to data collection from external parties and immature accounting policies due to lack of non-financial GAAP.</p>	<ul style="list-style-type: none"> <li>• Reconciliations and validations</li> <li>• Monthly analysis including sanity checks of data</li> <li>• Use of international standards and guidelines</li> </ul>

### *Control activities*

Our control activities are designed and aimed at preventing or detecting and correcting material errors in the reporting, thereby reducing the risk to an acceptable level. The controls are based on the risk assessment and include approvals, the segregation of functions, analysis, reconciliation, assessment and follow-up on targets and controls concerning IT applications and general IT controls.

In order to ensure proper documentation of the relationship between the identified risks and key controls and to support the monitoring activities, we use an internal reporting tool.

### *Information and communications*

Our information and communication systems are designed to meet the reporting requirements applicable to listed companies. An accounting manual, reporting instructions and guidelines on internal controls have been prepared in order to ensure that the reporting is carried out on a uniform basis and is of a high quality. These documents are available on our intranet.

In 2016, The Board of Directors approved an Investor Relations policy that prescribes the communication to investors, analysts and other stakeholders in the capital market. The aim is to ensure relevant, accurate and timely reporting to the capital market.

#### *Monitoring*

The business units' monthly 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.

### **III. Status on compliance with recommendations on Corporate Governance issued by the Danish Committee on Corporate Governance**

In the sections below, our Board of Directors sets 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>				
<b>1.1.1 THE COMMITTEE RECOMMENDS</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			<p>We have an investor relations function, who organizes investor meetings based on investor relations material, which is available on our website.</p> <p>We hold regular meetings with the Ministry of Finance in accordance with the recommendations in the Ownership Policy from the Danish State.</p>
<b>1.1.2. THE COMMITTEE RECOMMENDS</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>We have adopted an investor relations policy. The policy is available on our website.</p> <p>We have a responsibility policy. The policy defines how we engage with stakeholders and address societal challenges. The policy is available on our website. Our Audit and Risk Committee supervises the sustainability reporting.</p>
<b>1.1.3. THE COMMITTEE RECOMMENDS</b> that the company publish quarterly reports	X			<p>We publish quarterly interim financial reports. We prepare the reports in accordance with IAS 34 "Interim Financial Reporting" and the Danish rules for listed and state-owned companies.</p>

<p><b>1.2.1. THE COMMITTEE RECOMMENDS</b> that, when organising the company's general meeting, the board of directors plans the meeting to support active ownership.</p>	<p>X</p>			<p>We use a web-based Shareholder Portal to communicate with our shareholders in connection with general meetings.</p> <p>Four of our largest shareholders are members of our Nomination Committee. The committee prepares recommendations regarding election of new board members by the general meeting.</p>
<p><b>1.2.2. THE COMMITTEE RECOMMENDS</b> that proxies granted for the general meeting allow shareholders to consider each individual item on the agenda.</p>	<p>X</p>			<p>No supplemental information.</p>
<p><b>1.3.1. THE COMMITTEE RECOMMENDS</b> that the company set up contingency procedures in the event of takeover bids from the time that the board of directors has reason to believe that a takeover bid will be made. 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.</p>	<p>X</p>			<p>We have implemented procedures regarding takeover bids.</p>

<b>2. Tasks and responsibilities of the board of directors</b>				
<b>2.1.1. THE COMMITTEE RECOMMENDS</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>Our Board of Directors carries out an annual self-evaluation. We conducted the annual self-evaluation in November 2016.</p> <p>We reviewed the Rules of Procedure for the Board of Directors in November 2016.</p>
<b>2.1.2. THE COMMITTEE RECOMMENDS</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.	X			<p>In addition to the ongoing strategy work, our Board of Directors holds an annual strategy seminar. We held our annual strategy seminar in December 2016.</p>
<b>2.1.3. THE COMMITTEE RECOMMENDS</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.	X			<p>We refer to page 130, note 6.1 of our 2016 Annual Report.</p>
<b>2.1.4. THE COMMITTEE RECOMMENDS</b> that the board of directors annually review and approve guidelines for the executive board; this includes establishing	X			<p>We reviewed the instructions to the Executive Board in November 2016.</p>

requirements for the executive board on timely, accurate and adequate reporting to the board of directors.				
<b>2.1.5. THE COMMITTEE RECOMMENDS</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.	X			No supplemental information.
<b>2.1.6. THE COMMITTEE RECOMMENDS</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			As we have equal representation on the Board of Directors in accordance with the Danish regulation, we have no targets for gender representation on the board.  We refer to our 2016 annual report (page 172 – non-financial statements).
<b>2.2.1. THE COMMITTEE RECOMMENDS</b> that the board of directors adopt policies on corporate social responsibility.	X			The Board of Directors has approved our responsibility policy. The policy is available on our website.
<b>2.3.1. THE COMMITTEE RECOMMENDS</b> appointing a vice-chairman of the board of directors who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective sparring partner for the chairman.	X			Our general meeting annually appoints a Deputy Chairman.

<p><b>2.3.2. THE COMMITTEE RECOMMENDS</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>The situation has not occurred. Should the situation occur, we intend to comply with the recommendation.</p>
<p><b>3. Composition and organisation of the board of directors</b></p>				
<p><b>3.1.1. THE COMMITTEE RECOMMENDS</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>We have a high-level description in the Rules of Procedure of our Nomination Committee (Clause 2.1) of the skills that our Board of Directors must have to perform its tasks.</p> <p>In November 2016, the Board of Directors approved an updated competency overview for our board members, which is available on our website.</p> <p>Our 2016 annual report describes the composition of our board members, including their special skills (page 60-61).</p>

<p><b>3.1.2. THE COMMITTEE RECOMMENDS</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>	X			<p>Our Nomination Committee prepares recommendations regarding election of candidates for the Board of Directors as described in our Articles of Association and Rules of Procedure of the committee.</p>
<p><b>3.1.3. THE COMMITTEE RECOMMENDS</b> that the notice convening the general meeting when election of members to the board of directors is on the agenda be accompanied by a description of the nominated candidates' qualifications, including information about the candidates'</p> <ul style="list-style-type: none"> <li>• other executive functions, among these memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises</li> <li>• demanding organisational tasks, and information about</li> <li>• whether candidates to the board of directors are considered independent.</li> </ul>	X			<p>No supplemental information.</p>

<p><b>3.1.4. THE COMMITTEE RECOMMENDS</b> that the company's articles of association stipulate a retirement age for members of the board of directors.</p>			X	<p>Our shareholders have decided not to include a retirement age in the Articles of Association as a retirement age could potentially reduce the recruitment base and competence level of the Board of Directors.</p>
<p><b>3.1.5. THE COMMITTEE RECOMMENDS</b> that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.</p>	X			<p>Board members elected by our general meeting are up for election every year and re-election is possible, cf. 10.2 of our Articles of Association.</p>
<p><b>3.2.1. THE COMMITTEE RECOMMENDS</b> that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests.</p> <p>To be considered independent, this person may not:</p> <ul style="list-style-type: none"> <li>• be or within the past five years have been 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 capacity than as member of the board of</li> </ul>	X			<p>We consider that at least half of the board members elected by our general meeting are independent in accordance with the recommendation.</p>

<p>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><b>3.3.1. THE COMMITTEE RECOMMENDS</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>	<p>X</p>			<p>No supplemental information.</p>

<p><b>3.3.2. THE COMMITTEE RECOMMENDS</b> that the management commentary, in addition to the provisions laid down by legislation, includes the following information about the members of the board of directors:</p> <ul style="list-style-type: none"> <li>• the position of the relevant person,</li> <li>• the age and gender of the 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>	X			We refer to page 56, 60-61 in our 2016 Annual Report.
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<p><b>3.4.1. THE COMMITTEE RECOMMENDS</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>We have established a Remuneration Committee and an Audit and Risk Committee.</p> <p>We describe the committees and their most important activities during the year in our 2016 annual report (page 53).</p> <p>The terms of reference for the two committees are available on our website.</p>
<p><b>3.4.2. THE COMMITTEE RECOMMENDS</b> that a majority of the members of a board committee be independent.</p>	X			<p>We consider that the majority of the members of our Audit and Risk Committee and our Remuneration Committee are independent in accordance with the corporate governance recommendations.</p>
<p><b>3.4.3. THE COMMITTEE RECOMMENDS</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>We consider that, between them, the members of our Audit and Risk Committee possess the relevant financial, accounting, audit and sector skills.</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><b>3.4.4. THE COMMITTEE RECOMMENDS</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>	X			No supplemental information.
<p><b>3.4.5. THE COMMITTEE RECOMMENDS</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 has an internal audit function.</p> <p>The terms of reference of the Audit and Risk Committee describes the responsibilities of the internal audit function.</p>

<p><b>3.4.6. THE COMMITTEE RECOMMENDS</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 directors and the executive board, as well as recommend any changes to the board of directors,</li> <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</li> </ul>		X		<p>Our shareholders have decided to establish a Nomination Committee with representatives from our Board of Directors (the Chairman and Deputy Chairman) and four of our largest shareholders.</p> <p>The Nomination Committee prepares recommendations to the general meeting of DONG Energy regarding election of board members.</p> <p>The Nomination Committee is not involved in the appointment or assessment of our Executive Board or in the other matters included in the recommendation.</p>
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<p>directors on the future composition of the board of directors, including proposals for specific changes.</p>				
<p><b>3.4.7. THE COMMITTEE RECOMMENDS</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 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</li> <li>• recommend a remuneration policy applicable for the company in general.</li> </ul>	<p>X</p>			<p>We refer to the terms of reference for our Remuneration Committee available on our website.</p>

<p><b>3.4.8. THE COMMITTEE RECOMMENDS</b> that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p>	<p>X</p>			<p>No supplemental information.</p>
<p><b>3.5.1. THE COMMITTEE RECOMMENDS</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>	<p>X</p>			<p>Our Board of Directors performed their annual self-evaluation in November 2016.</p>
<p><b>3.5.2. THE COMMITTEE RECOMMENDS</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>	<p>X</p>			<p>As part of the self-evaluation of the Board of Directors, the board considers whether the number of members is appropriate.</p>

<p><b>3.5.3. THE COMMITTEE RECOMMENDS</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 Board of Directors regularly discusses the work and performance of the Executive Board, including in connection with the annual settlement of the Executive Board's performance agreements.</p>
<p><b>3.5.4. THE COMMITTEE RECOMMENDS</b> that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the board of directors and the chief executive officer and that the outcome of the evaluation be presented to the board of directors.</p>	X			<p>The Chairman and the CEO regularly discuss the cooperation between the Board of Directors and the Executive Board.</p>
<p><b>4. Remuneration of management</b></p>				
<p><b>4.1.1. THE COMMITTEE RECOMMENDS</b> that the board of directors prepare a clear and transparent remuneration policy for the board of directors and the executive board, including</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</li> </ul>	X			<p>We have a remuneration policy approved by the Board of Directors and the general meeting.</p> <p>The policy is available on our website.</p>

<p>components of the remuneration is based.</p> <p>The remuneration policy should be approved by the general meeting and published on the company's website.</p>				
<p><b>4.1.2. THE COMMITTEE RECOMMENDS</b> that, if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> <li>• limits be set on the variable components of the total remuneration package,</li> <li>• a reasonable and balanced 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 than one calendar year, and</li> <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>	X			No supplemental remarks.

<p><b>4.1.3. THE COMMITTEE RECOMMENDS</b> that remuneration of members of the board of directors does not include share options.</p>	X			No supplemental information.
<p><b>4.1.4. THE COMMITTEE RECOMMENDS</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>After the IPO, we established a share program for the Executive Board.</p> <p>As we implemented the program in the autumn of 2016 and the first exercise under the program will occur in the spring of 2019, we have a first vesting period, which is slightly shorter than the recommended three years. Future grants under the program will take place in the spring to ensure a full three year vesting period.</p>
<p><b>4.1.5. THE COMMITTEE RECOMMENDS</b> that agreements on termination payments should not amount to more than two years' annual remuneration.</p>	X			If we dismiss our CEO or CFO, he/she is entitled to 24 months' salary in the form of salary during the notice period (12 months) and a severance payment (12 months).
<p><b>4.2.1. THE COMMITTEE RECOMMENDS</b> that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's statement at the company's general meeting.</p>	X			We will include comments regarding the remuneration policy in the Chairman's statement at the general meeting, if this is relevant.
<p><b>4.2.2. THE COMMITTEE RECOMMENDS</b> that the proposed remuneration for the board of directors for the current financial year be approved by the shareholders at the general meeting.</p>	X			We refer to section 7.2 (item no. 8) of our Articles of Association.

<p><b>4.2.3. THE COMMITTEE RECOMMENDS</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.</p>	X			We refer to the 2016 annual report (page 56).
<p><b>5. Financial reporting, risk management and audits</b></p>				
<p><b>5.1.1. THE COMMITTEE RECOMMENDS</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.</p>	X			We refer to the 2016 annual report (page 46-50).
<p><b>5.2.1. THE COMMITTEE RECOMMENDS</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>	X			We have established a whistle-blower hotline as described in the Annual Report (page 53).
<p><b>5.3.1. THE COMMITTEE RECOMMENDS</b> that the board of directors ensure regular dialogue and exchange of information between the auditor and the board of</p>	X			No supplemental information.

<p>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><b>5.3.2. THE COMMITTEE RECOMMENDS</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 information.</p>