
Sydbank's statement concerning the recommendations of the Committee on Corporate Governance

Corporate Governance Principles –
The statement concerns the period 2018

Recommendations of the Committee on Corporate Governance

Recommendation	Com- pliance	Com- pliance in part	Non- com- pliance	Comments of the Board of Directors:
1. Communication and interaction by the company with its investors and other stakeholders				
1.1. Dialogue between the company, shareholders and other stakeholders				
1.1.1. The Committee recommends 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, and in order for the board of directors to be aware of the shareholders' views, interests and opinions in relation to the company.	X			Sydbank informs investors and other stakeholders regularly about developments at the Bank at sydbank.dk. Sydbank holds shareholders' meetings and participates in investor presentations, investor conferences, roadshows and informs the Board of Directors about the sentiment and the feedback from investors.
1.1.2. The Committee recommends that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders, and that the board of directors ensure that the interests of the shareholders are respected in accordance with company policies.	X			The Board of Directors has a stakeholder policy and a conflicts of interest policy.
1.1.3. The Committee recommends that the company publish quarterly reports.	X			Sydbank publishes quarterly reports which are available at sydbank.dk.
1.2. General meeting				
1.2.1. The Committee recommends that, when organising the company's general meeting, the board of directors plan the meeting to support active ownership.	X			Sydbank's Articles of Association enable shareholders to exercise active ownership. At general meetings shareholders may engage in dialogue with the Bank's management.
1.2.2. The Committee recommends that proxies or votes by post for the general meeting allow shareholders to consider each individual item on the agenda.	X			Sydbank's proxy form enables shareholders to consider the individual items on the agenda.
1.3. Takeover bids				
1.3.1. The Committee recommends that the company set up contingency procedures in the event of takeover bids from the time that the board of directors has reason to believe that a takeover bid will be made. According to such contingency procedures, the board of directors should not, without the acceptance of the general meeting, attempt to counter a takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid themselves.	X			The procedures are described in the rules of procedure of the Board of Directors.

Recommendations of the Committee on Corporate Governance

Recommendation	Com- pliance	Com- pliance in part	Non- com- pliance	Comments of the Board of Directors:
2. Tasks and responsibilities of the board of directors				
2.1. Overall tasks and responsibilities				
2.1.1. The Committee recommends 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			Once a year the Board of Directors addresses the work schedule for the year ahead. The Board of Directors reviews its rules of procedure at least once a year to ensure that they are updated and comply with applicable rules and legislation.
2.1.2. The Committee recommends 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			The Board of Directors addresses the strategy regularly and is updated on its implementation. Once a year the Board of Directors holds a strategy seminar.
2.1.3. The Committee recommends 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 present this in the management commentary and/or on the company's website.	X			The Bank's capital structure is specified in a capital plan which the Board of Directors monitors on an ongoing basis and reviews at least once a year. The Board of Directors monitors the Bank's capital closely. The capital plan is mentioned in the Bank's annual report which is available at sydbank.dk.
2.1.4. The Committee recommends that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board's reporting to the board of directors.	X			The Board of Directors reviews the rules of procedure of the Group Executive Management at least once a year to ensure that they are updated and comply with applicable legislation.
2.1.5. The Committee recommends 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			The Nomination Committee of the Board of Directors evaluates the Group Executive Management at least once a year. The evaluation is presented to the Board of Directors.
2.2. Corporate social responsibility				
2.2.1. The Committee recommends that the board of directors adopt policies on corporate social responsibility.	X			The Board of Directors has adopted a CSR policy which is reviewed annually.
2.3. Chairman and vice-chairman of the board of directors				
2.3.1. The Committee recommends appointing a vice-chairman of the board of directors who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as an effective sparring partner for the chairman.	X			The Board of Directors has appointed a chairman and a vice-chairman. Their duties, obligations and responsibilities are described in the rules of procedure of the Board of Directors.

Recommendations of the Committee on Corporate Governance

Recommendation	Com- pliance	Com- pliance in part	Non- com- pliance	Comments of the Board of Directors:
2.3.2. The Committee recommends that, if the board of directors, in exceptional cases, asks the chairman of the board of directors or other board members to perform special activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect should be passed to ensure that the board of directors maintains its independent general management and control function. Resolutions on the chairman's or other board members' participation in day-to-day management and the expected duration hereof should be publicly announced.	X			The chairman does not perform any operational tasks for Sydbank.
3. Composition and organisation of the board of directors				
3.1. Composition				
3.1.1. The Committee recommends that the board of directors annually evaluate and in the management commentary account for <ul style="list-style-type: none"> • the competencies that it must have to best perform its tasks, • the composition of the board of directors, and • the special competencies of each member. 	X			The Board of Directors conducts a self-evaluation annually which is discussed by the Nomination Committee. The Nomination Committee presents the conclusions of its discussions to the Board of Directors. Every third year with the participation of an external consultant. The evaluation includes a review as regards the issues mentioned in the recommendation.
3.1.2. The Committee recommends that the board of directors annually discuss the company's activities to ensure relevant diversity at management levels and prepare and adopt a policy on diversity. The policy should be published on the company's website.	X			The Board of Directors discusses Sydbank's activities annually to ensure diversity and set specific goals in the annual report.
3.1.3. The Committee recommends that the selection and nomination of candidates for the board of directors be carried out through a careful and transparent process approved by the board of directors. When assessing its composition and nominating new candidates, the board of directors should in addition to the need for competencies and qualifications take into consideration the need for integration of new talent and diversity.	X			The Board of Directors often uses external consultants in the recruitment process which includes selection parameters such as gender, age, experience and skills. An account of the process is given at board meetings. The process is transparent.
3.1.4. The Committee recommends that the notice convening a general meeting where the agenda includes the election of members to the board of directors, include (in addition to the statutory requirements) a description of the qualifications of the nominated candidates, including information about the candidates' <ul style="list-style-type: none"> • other executive functions, including positions on executive boards, boards of directors and supervisory boards, including board committees, in Danish and foreign enterprises, and • demanding organisational tasks. Furthermore it should be indicated if the candidates to the board of directors are considered independent.			X	The general meeting does not elect members to the Board of Directors but it elects members to the Shareholders' Committee. The members of the Board of Directors are elected by the Bank's Shareholders' Committee. The relevant information is available when electing Shareholders' Committee members.

Recommendations of the Committee on Corporate Governance

Recommendation	Com- pliance	Com- pliance in part	Non- com- pliance	Comments of the Board of Directors:
3.1.5. The Committee recommends that members of a company's executive board be not members of the board of directors and that a resigning chief executive officer be not directly elected as chairman or vice chairman for the same company.	X			No member of Sydbank's Group Executive Management is also a member of the Board of Directors. No board member is a former Group Executive Management member of Sydbank.
3.1.6. The Committee recommends that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.			X	The general meeting does not elect members to the Board of Directors but it elects members to the Shareholders' Committee. The members of the Board of Directors are elected by the Bank's Shareholders' Committee. Members of Sydbank's Board of Directors are elected for a three-year term with the possibility of re-election. The maximum term of office for board members elected by the Shareholders' Committee is 12 years. The terms are staggered so that all members of the Board of Directors are not up for election in the same year. Consequently the continuity of the Board's work is ensured.
3.2. Independence of the board of directors				
3.2.1. The Committee recommends that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests. To be considered independent, this person may not: <ul style="list-style-type: none"> · be or within the past five years have been a member of the executive board or senior staff member in the company, a subsidiary or an associated company, · within the last five years, have received significant remuneration from the company/group, a subsidiary or an associated company in a different capacity than as a member of the board of directors, · represent or be associated with a controlling shareholder, · within the past year, have had significant business relations (e.g. personally or indirectly as a partner or employee, shareholder, customer, supplier or member of management in companies with a similar connection) with the company, a subsidiary or an associated company, · be or within the past three years have been employed or been a partner in the same company as the auditor elected by the general meeting, · be part of the executive management in a company with cross-management representation in the company, · have been a member of the board of directors for more than 12 years, or · be a close relative of persons who are not considered independent. Even if a member of the board of directors is not covered by the above criteria, certain conditions may exist that will lead the board of directors to decide that one or more members cannot be regarded as independent.	X			Five out of seven board members elected by the Shareholders' Committee are independent.

Recommendations of the Committee on Corporate Governance

Recommendation	Com- pliance	Com- pliance in part	Non- com- pliance	Comments of the Board of Directors:
3.3. Members of the board of directors and the number of other executive functions				
3.3.1. The Committee recommends that each member of the board of directors assess the expected time commitment for each function so that the member does not take on more functions than he/she can complete at a satisfactory level for the company.	X			Board members are subject to a limit on executive functions.
3.3.2. The Committee recommends that the management commentary, in addition to the provisions laid down by legislation, include the following information about the members of the board of directors: <ul style="list-style-type: none"> • the position of the relevant person, • the age and gender of the relevant person, • the person's competencies and qualifications that are relevant to the company, • whether the member is considered independent, • the date of appointment to the board of directors of the member, • expiry of the current election period, • other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises and • demanding organisational tasks, and • 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 member's portfolio of the securities mentioned which have occurred during the financial year. 	X			This information appears from the annual report.
3.3.3. The Committee recommends that the annual evaluation procedure, cf. section 3.5, include an evaluation of what is regarded as a reasonable level for the number of other executive functions, where the number, level and complexity of the other individual executive functions are taken into account.	X			The number of executive functions as regards board members is in accordance with the current legislation of Systemically Important Financial Institutions.
3.4. Board committees				
3.4.1. The Committee recommends that the company publish the following on the company's website: <ul style="list-style-type: none"> • the terms of reference of the board committees, • the most important activities of the committees during the year, and the number of meetings held by each committee, and • the names of the members of each committee, including the chairmen of the committees, as well as information regarding which members are independent members and which members have special competencies. 	X			This information appears from sydbank.dk.

Recommendations of the Committee on Corporate Governance

Recommendation	Com- pliance	Com- pliance in part	Non- com- pliance	Comments of the Board of Directors:
3.4.2. The Committee recommends that a majority of the members of a board committee be independent.			X	Five out of seven board members elected by the Shareholders' Committee are independent. Sydbank does not comply with the recommendation as regards the composition of the Nomination Committee as half of its members are independent and half are not independent.
3.4.3. The Committee recommends that the members of the board of directors set up among its members an <u>audit committee</u> and that a chairman be appointed who is not the chairman of the board of directors.	X			The Board of Directors has set up an Audit Committee. The chairman of the Audit Committee meets the statutory requirements regarding experience in and knowledge of audit and accounting matters.
3.4.4. The Committee recommends that, prior to the approval of the annual report and other financial reports, the audit committee monitor and report to the board of directors about: <ul style="list-style-type: none"> · significant accounting policies, · significant accounting estimates, · related party transactions, and · uncertainties and risks, including in relation to the outlook for the current year. 	X			Prior to the financial reporting the process of the presentation of the financial statements is reviewed including accounting policies and significant accounting estimates. In connection with completion of the financial statements, the Audit Committee reviews a draft annual report and long-form audit reports prior to approval by the Board of Directors. The Audit Committee presents the key findings from the two reviews to the Board of Directors.
3.4.5. The Committee recommends that the audit committee: <ul style="list-style-type: none"> · annually assess the need for an internal audit function, and in such case, present mandates and recommendations on selecting, appointing and removing the head of any internal audit function and on the budget of the internal audit function, · ensure that if an internal audit has been established, a description of its functions is approved by the board of directors, · ensure that if an internal audit has been established, adequate resources and competencies are allocated to carry out the work, and · monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function. 	X			Sydbank has an internal audit function. The budget of the internal audit function is approved by the Audit Committee.

Recommendations of the Committee on Corporate Governance

Recommendation	Com- pliance	Com- pliance in part	Non- com- pliance	Comments of the Board of Directors:
<p>3.4.6. The Committee recommends that the board of directors establish a <u>nomination committee</u>, which is at least, responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> - describing the qualifications required by the board of directors and the executive board and for a given position, indicating the time expected to be spent carrying out a specific position, as well as assessing the competencies, knowledge and experience found in the two governing bodies, - annually assessing the structure, size, composition and results of the board of directors and the executive board and recommending any changes to the board of directors, - annually assessing the competencies, knowledge, experience and succession of the individual members of management, and reporting to the board of directors in this respect, - recommending candidates for the board of directors and the executive board, and - proposing an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes. 	X			The Board of Directors has set up a Nomination Committee chaired by the chairman of the Board of Directors. The tasks of the committee are laid down in the terms of reference which comprise tasks mentioned in the recommendations.
<p>3.4.7. The Committee recommends that the board of directors establish a <u>remuneration committee</u>, which is at least, responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> - recommending the remuneration policy (including the “General Guidelines for Incentive-Based Remuneration”) to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting, - making proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensuring that the remuneration is in compliance with the company’s remuneration policy and the assessment of the performance of the persons concerned. The committee should have information on the total remuneration that members of the board of directors and the executive board receive from other companies in the group, - recommending a remuneration policy applicable for the company in general, and - assisting with the preparation of the annual remuneration report. 	X			Sydbank’s Board of Directors has set up a Remuneration Committee.
<p>3.4.8. The Committee recommends that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p>	X			This information appears from the committee’s terms of reference.

Recommendations of the Committee on Corporate Governance

Recommendation	Com- pliance	Com- pliance in part	Non- com- pliance	Comments of the Board of Directors:
3.5. Evaluation of the performance of the board of directors and the executive board				
3.5.1. The Committee recommends that the board of directors establish an evaluation procedure for an annual evaluation of the board of directors and the individual members. External assistance should be obtained at least every third year. The evaluation should inter alia include: <ul style="list-style-type: none"> • contribution and results, • cooperation with the executive board, • the chairman's leadership of the board of directors, • the composition of the board of directors (including competencies, diversity and the number of members), • the work in the committees and the committee structure, and • the organisation of work and quality of the material that is submitted to the board of directors. The evaluation procedure and the general conclusions should be described in the management commentary and on the company's website. The chairman should account for the evaluation of the board of directors, including the process and general conclusions, at the general meeting prior to the election of the board of directors.	X			The Board of Directors conducts a self-evaluation annually which is discussed by the Nomination Committee. The Nomination Committee presents the conclusions of its discussions to the Board of Directors. Every third year with the participation of an external consultant. The evaluation includes a review as regards the issues mentioned in the recommendation.
3.5.2. The Committee recommends that at least once a year, the board of directors evaluate the work and performance of the executive board in accordance with pre-defined criteria. Furthermore, the board of directors should evaluate the need for changes to the structure and composition of the executive board, in light of the company's strategy.	X			The Nomination Committee evaluates the Group Executive Management annually and presents its evaluation to the Board of Directors.
3.5.3. The Committee recommends that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the board of directors and the chief executive officer, and that the outcome of the evaluation be presented to the board of directors.	X			The evaluation of the Group Executive Management includes its collaboration with the Board of Directors.

Recommendations of the Committee on Corporate Governance

Recommendation	Com- pliance	Com- pliance in part	Non- com- pliance	Comments of the Board of Directors:
4. Remuneration of management				
4.1. Form and content of the remuneration policy				
4.1.1. The Committee recommends that the board of directors prepare a remuneration policy for the board of directors and the executive board, which includes <ul style="list-style-type: none"> • a detailed description of the components of the remuneration for members of the board of directors and the executive board, • the reasons for choosing the individual components of the remuneration, • a description of the criteria that form the basis for the balance between the individual components of the remuneration, and • an explanation of the correlation between the remuneration policy and the company's long-term value creation and relevant related goals. The remuneration policy should be approved by the general meeting at least every fourth year and upon any material amendments and published on the company's website.	X			This information appears from the remuneration policy.
4.1.2. The Committee recommends that if the remuneration policy includes variable components, <ul style="list-style-type: none"> • limits be set on the variable components of the total remuneration package, • a reasonable and balanced composition be ensured between remuneration for members of management and the value creation for shareholders in the short and long term, • clarity be established about performance criteria and measurability for the award of variable components, • it be ensured that variable remuneration not only consists of short-term remuneration components, and that long-term remuneration components must have a vesting or maturity period of at least three years, and • it be ensured that the company is able to reclaim, in full or in part, variable components of remuneration that were paid on the basis of information which is subsequently found to be incorrect. 	X			This information appears from the remuneration policy.
4.1.3. The Committee recommends that remuneration of members of the board of directors do not include share options.	X			The remuneration policy does not include remuneration in the form of share options.
4.1.4. The Committee recommends that if in relation to long-term incentive programmes share-based remuneration is provided, such programmes should have a vesting or maturity period of at least three years after being allocated and be established as roll-over programmes, i.e. the options are granted periodically.	X			Sydbank does not provide share-based remuneration.
4.1.5. The Committee recommends that the total value of the remuneration relating to the notice period, including severance pay, do not exceed two years of remuneration, including all components of the remuneration.	X			This information appears from the remuneration policy.

Recommendations of the Committee on Corporate Governance

Recommendation	Com- pliance	Com- pliance in part	Non- com- pliance	Comments of the Board of Directors:
4.2. Disclosure of remuneration				
4.2.1. The Committee recommends that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's statement at the company's general meeting.	X			This information is included in the financial review.
4.2.2. The Committee recommends that the proposal for approval of remuneration for the board of directors for the current financial year be considered by the shareholders at the general meeting.			X	The general meeting approves the remuneration policy. The remuneration of the Board of Directors is determined by the Shareholders' Committee in accordance with the policy.
4.2.3. The Committee recommends that the company prepare a remuneration report including information on the total remuneration received by each member of the board of directors and the executive board from the company and other companies in the group and associated companies during the last three years, including information on the most important content of retention and resignation arrangements and that the correlation between the remuneration and the company's strategy and relevant related goals be explained. The remuneration report should be published on the company's website.	X			This information appears from the annual report.
5. Financial reporting, risk management and audits				
5.1. Identification of risks and transparency about other relevant information				
5.1.1. The Committee recommends 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			This information appears from the annual report.
5.2. Whistleblower scheme				
5.2.1. The Committee recommends that the board of directors establish a whistleblower scheme for expedient and confidential notification of serious wrongdoing or suspicions thereof.	X			Sydbank has established a whistleblower scheme which allows for confidential and anonymous reporting. The scheme is managed by the Bank's Compliance function.

Recommendations of the Committee on Corporate Governance

Recommendation	Com- pliance	Com- pliance in part	Non- com- pliance	Comments of the Board of Directors:
5.3. Contact to auditor				
5.3.1. The Committee recommends that the board of directors ensure regular dialogue and exchange of information between the auditor appointed by the general meeting and the board of directors, including that the board of directors and the audit committee meet at least once a year with the auditor appointed by the general meeting without the executive board present. This also applies to the internal auditor, if any.	X			The procedure is followed.
5.3.2. The Committee recommends that the audit agreement and auditors' fee be agreed between the board of directors and the auditor appointed by the general meeting on the basis of a recommendation from the audit committee.	X			The Audit Committee monitors the size and composition of the fee to the appointed auditor – including approval of allowed additional services.