

Form for
“Statutory report on foundation governance, cf. section 77a of the Danish
Financial Statements Act”

Lauritzen Fonden

What should this form be used for?

This form is meant as a tool for commercial foundations that wish to submit the statutory report on foundation governance as a form, cf. section 77a of the Financial Statements Act¹.

The report on foundation governance must be published in the management commentary, in the notes to the annual report, or on the foundation's website, if any, with a reference to its location in the management commentary or in the notes.

Publication of the report on foundation governance on the foundation's website, if any, with a precise reference in the management commentary establishes the highest level of transparency, as it is easier to access for the general public.

Publication on the foundation's website, if any, requires that the URL address on which the report on foundation governance is published is stated in the management commentary or in the notes. The URL address must be the internet address which is used to access the report **directly**.

For more information about publication of the report on foundation governance on the foundation's website, the Committee refers to the Executive Order on the publication of a number of reports pursuant to the Financial Statements Act².

Note: The form below contains the Recommendations of the Committee on Foundation Governance of June 2020. These Recommendations are available on the Committee's website: www.godfondsledelse.dk. **The form can be used to prepare a report on foundation governance in the annual report.**

¹ In Danish Årsregnskabsloven, LBK nr. 838 af 8. august 2019 with later amendments.

² In Danish Bekendtgørelse om offentliggørelse af en række redegørelser efter årsregnskabsloven, BEK nr. 959 af 13. september 2019

“Comply or explain”

Section 77a of the Financial Statements Act states that foundations which are covered by the Commercial Foundations Act³ must include a report by the board of directors on foundation governance, cf. section 60 of the Commercial Foundations Act, in the management commentary or in the notes.

According to section 60 of the Commercial Foundations Act, the board of directors must specify in the report how the commercial foundation has addressed the Recommendations. The board of directors can choose to comply with the Recommendations or explain what they have chosen to do instead.

*Failure to comply with a Recommendation is **not** considered as a breach of the rules but merely implies that the board of directors has chosen a different approach due to reasons that it has explained.*

Reporting must reflect the current type of management at the date of the annual report. In the event of significant changes during the year or after the balance sheet date, this should be described in the report on foundation governance.

It is important that the board of directors addresses each individual recommendation.

Statutory report on foundation governance, cf. section 77a of the Financial Statements Act

Note!

The report is an integrated part of the management commentary in the annual report of the foundation for the following accounting period: 1.1.2022 to 31.12.2022

³ In Danish Lov om erhvervsdrivende fonde, LBK nr. 984 af 20. september 2019

Recommendations on Foundation Governance

The foundation is covered by the Recommendations on Foundation Governance, which are available on the website of the Committee on Foundation Governance www.godfondsledelse.dk.

Recommendation	The foundation <u>complies</u>	The foundation <u>explains</u> ⁴		Not applicable
		<i>why</i>	<i>how</i>	
1. Transparency and communication				
1.1 It is recommended that the board of directors adopt principles for external communication that address the need for transparency and stakeholders' needs and possibilities to obtain relevant up-to-date information about the circumstances of the foundation.	Lauritzen Fonden encourages an open communication with our surroundings and the projects we're involved with. We want to create value for our projects through financial support, knowledge, and networks, but also by enhancing the project's visibility to put focus on the cause and the work of the project/organization. By increasing knowledge about the Foundation and our work to the public we strive to improve the quality of incoming applications. The chairman of the board is the spokesperson and therefore exclusively the one who speaks about matters relating to the board and its work. External communication about the Foundation's subject-specific work areas is carried out respectively by the chairman and the board jointly or separately. This also applies when it comes to the			

⁴ In case of lack of compliance with a recommendation, the foundation must explain *why* this recommendation was not followed and *how* the foundation has acted differently. An adequate explanation answers both questions and categorises the answer as being in compliance with the recommendation. It is therefore important that the foundation answer both questions in its explanation.

Recommendation	The foundation <u>complies</u>	The foundation <u>explains</u> ⁴		Not applicable
		<i>why</i>	<i>how</i>	
	<p>Foundation's wholly or partially owned companies and questions about the Foundation's philanthropic and non-profit work.</p> <p>Lauritzen Fonden's communications manager can refer to the chairman or respective directors. The Foundation has drawn up a communication strategy that supports the distribution policy.</p>			
2. Tasks and responsibilities of the board of directors				
2.1 Overall tasks and responsibilities				
<p>2.1.1 It is recommended that, in order to secure the activities of the commercial foundation in accordance with the purposes and interests of the foundation, the board of directors should, at least once a year, take a position on the overall strategy and distribution policy of the foundation on the basis of the articles of association.</p>	<p>Each year, the Foundation hosts a strategy meeting, where the strategy for the commercial companies and the grant strategy are presented and updated. In the underlying companies, this occurs based on decisions in the respective boards of directors.</p>			

Recommendation	The foundation <u>complies</u>	The foundation <u>explains</u> ⁴		Not applicable
		<i>why</i>	<i>how</i>	
<p>2.1.2 It is recommended that the board of directors regularly address whether the foundation's asset management is in line with the purpose of the foundation and its long- and short-term needs.</p>	<p>The board's annual wheel includes an annual review of the Foundation's investment strategy and grant strategy, as well as capital management frameworks for the placement of liquidity are reviewed annually. In addition, at each individual board meeting there is a review of accounts, direct and indirect investments, liquid portfolio, and asset management.</p>			
<p>2.2 Chairman and vice-chairman of the board of directors</p>				
<p>2.2.1 It is recommended that the chairman of the board of directors organise, convene and chair meetings of the board of directors in order to ensure effective board work and to establish the best conditions for the work of the board members, individually and collectively.</p>	<p>Board meetings for the coming year are decided once a year and are invited by the chairman, as far as possible in writing by uploading the agenda and material on the board's portal, usually with 8 days' notice. The chairman leads all meetings.</p>			

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		<i>why</i>	<i>how</i>	
<p>2.2.2 It is recommended that if the board of directors, in exceptional cases, asks the chairman of the board of directors to perform special activities for the commercial foundation which extend beyond the duties of chairman, a board resolution to that effect be passed to ensure that the board of directors maintains its independent, general management and control function. Appropriate allocation of responsibilities should be ensured between the chairman, the vice-chairman, the other members of the board of directors and the executive board, if any.</p>	<p>According to the Foundation's charter, the board must deal with the broad lines of the company's management, in particular ensuring that the companies are managed in the spirit of the founders but can delegate parts of its authority in this respect to others. In addition, the affiliated companies must be managed independently by their respective boards of directors.</p> <p>The board has arranged itself with a chairmanship that meets and makes decisions of a commercial nature after authorization from a joint board.</p> <p>The Foundation exercises active ownership of the underlying companies, i.a. by having the chairmen of the board meet 4 times a year, and the CEO has regular contact with the companies' managements.</p> <p>The chairman also participates at his own choice in larger programs at a tactical level within the non-profit area, e.g. as chairman of the partner group, which is the highest body in the Foundation's current and continued collaboration with Esbjerg Municipality. Other board members participate ad hoc in meetings and visits of an informative nature.</p>			
<p>2.3 Composition and organisation of the board of directors</p>				

Recommendation	The foundation <u>complies</u>	The foundation <u>explains</u> ⁴		Not applicable
		<i>why</i>	<i>how</i>	
<p>2.3.1 It is recommended that the board of directors regularly, and at least every second year, assess and stipulate the competences that the board of directors needs to possess in order to best perform the tasks incumbent upon the board of directors.</p>	<p>The chairman of the board continuously focuses on always having the best qualified board. At a minimum the board estimates in connection with the annual board evaluation, whether it is composed in such a way that all necessary competences are represented. If needs for new competence arise, any board member can put the topic on the agenda.</p> <p>Conflicts of interest: The Foundation ensures impartiality by having a provision in the rules of procedure. A board member may not participate in the processing of questions about agreements between the Foundation and the person concerned or lawsuits against the person concerned or about agreements between the Foundation and third parties or lawsuits against third parties, if the person concerned has a significant interest therein that may conflict with the Foundation's.</p> <p>The board member has a duty to immediately notify the board of any situation that may entail disqualification. If the member is incapacitated, the member leaves the board meeting during the entire consideration of the specific question - unless the entire other board invites the member to stay in the meeting.</p> <p>If there is disagreement as to whether a member is incapacitated, the other members of the board decide on this. The relevant board member does not participate</p>			

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		<i>why</i>	<i>how</i>	
	in the processing thereof; but can give an account of the matter.			
2.3.2 It is recommended that, with due respect of any right in the articles of association to make appointments, the board of directors approves a structured, thorough and transparent process for selection and nomination of candidates for the board of directors.	Candidates for the board can be put forward by anyone, just as the board can choose to use a headhunter. The chairman, in consultation with the vice chairman, will nominate candidates for the board's decision.			
2.3.3 It is recommended that members of the board of directors are appointed on the basis of their personal qualities and competences, taking into account the collective competences of the board, and when composing and nominating new members of the board the need for introducing new talent is weighed against the need for continuity and the need for	In the selection of board members, competences in relation to the board will always be the main priority. After this, focus is on gender and then age.			

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		<i>why</i>	<i>how</i>	
diversity in relation to commercial and grants experience, age and gender.				
<p>2.3.4 It is recommended that in the management commentary in the annual report and on the commercial foundation's website, if any, there is an account of the composition of the board of directors, including its diversity, and that the following information is provided on each board member:</p> <ul style="list-style-type: none"> • the name and position of the member, • the age and gender of the member, • date of original appointment to the board whether the member has been re-elected, and expiry of the current election period, • any special competences possessed by the member, 	The mentioned information can all be found on the Lauritzen Fonden's website, except for the following.	Currently there is no practice of disclosing whether board members own shares, options, warrants or the like in the Foundation's subsidiaries and/or associated companies.	Registration does not take place. The foundation's board members follow the insider rules. Meaning that they can only trade shares in the windows provided by DFDS, as a listed company.	

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		<i>why</i>	<i>how</i>	
<ul style="list-style-type: none"> • other managerial positions held by the member, including positions on executive boards, boards of directors and supervisory boards and board committees in Danish and foreign foundations, enterprises and institutions, as well as other demanding organisation tasks, • whether the member owns shares, options, warrants and similar in the foundation's subsidiaries and/or associated companies, • whether the member has been appointed by authorities/providers of grants etc., and • whether the member is considered independent. 				

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		<i>why</i>	<i>how</i>	
<p>2.3.5 It is recommended that the majority of the members of the board of directors of the commercial foundation are not also members of the board of directors or executive board of the foundation's subsidiary(ies), unless it is a fully owned actual holding company.</p>	<p>None of the Foundation's board members hold board positions or management positions in the subsidiaries.</p>			
2.4 Independence				
<p>2.4.1 It is recommended that an appropriate proportion of the board of directors be independent.</p> <p>If the board of directors (excluding employee representatives) is composed of</p> <ul style="list-style-type: none"> • up to four members, at least one member should be independent, • between five and eight members, at least two members should be independent, or 		<p>In 2022, there are a total of 5 board members elected by the Foundation.</p> <p>1 member is independent. 4 members are dependent, as 2 members are descendants of the founders and the other 2 members have been on the board for more than 12 years - we refer to the website</p>	<p>The number of independent members of the board has decreased from 2 to 1 member in December 2022.</p> <p>The board continuously reviews its composition.</p>	

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		<i>why</i>	<i>how</i>	
<ul style="list-style-type: none"> • nine to eleven members, at least three members should be independent, and so on. <p>To be considered independent, this person may not, for example:</p> <ul style="list-style-type: none"> • be or within the past three years have been member of the executive board, or senior employee in the foundation, or an essential subsidiary or associated company to the foundation, • within the past five years have received larger emoluments, including distributions or other benefits from the foundation/group or a subsidiary or associated company to the foundation in other capacity than as member of the board of directors or executive board of the foundation, 				

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		<i>why</i>	<i>how</i>	
<ul style="list-style-type: none"> • within the past year have had a significant business relationship (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management of companies with corresponding connection) with the foundation/group or a subsidiary or associated company to the foundation, • be or within the past three years have been employed or partner at the external auditor, • have been a member of the board of directors or executive board of the foundation for more than 12 years, • be a close relative of, or in some other way be especially close to, persons who are not considered independent, 				

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		<i>why</i>	<i>how</i>	
<ul style="list-style-type: none"> • be the founder or a significant donor if the purpose of the foundation is to grant support to this person's family or others who are especially close to this person, or • be a member of the management of an organisation, another foundation or similar, which receives or repeatedly within the past five years has received significant donations from the foundation. 				
2.5 Appointment period				
<p>2.5.1 It is recommended that members of the board of directors be appointed for a minimum period of two years and a maximum period of four years.</p>		<p>The board is composed and works in accordance with §7 of the charter (available on Lauritzen Fonden's website).</p>	<p>The Foundation is managed by a self-supporting board. A board member elected by the Foundation is subject to requirements for residence in Denmark, self-governance, must be of good reputation and must not generally be over 65 years of age when joining the board.</p>	

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		<i>why</i>	<i>how</i>	
			There are also requirements for special competences, in order for the board to have insight into shipping, other commercial activities and social affairs. A board member elected by the Foundation is not appointed for a fixed period but can normally only hold the board position until he/she reaches the age of 75.	
2.5.2 It is recommended that an age limit for members of the board of directors be set, which is published in the management commentary or on the foundation's website.	A board member appointed in accordance with the foundation can resign from the board at any time and must normally resign at the age of 75.			
2.6 Evaluation of the performance of the board of directors and executive board				

Recommendation	The foundation <u>complies</u>	The foundation <u>explains</u> ⁴		Not applicable
		<i>why</i>	<i>how</i>	
<p>2.6.1 It is recommended that the board of directors establish an evaluation procedure in which the board of directors, the chairman and the contributions and performance of individual members are evaluated annually, and the result is discussed by the board of directors.</p>	<p>According to the annual wheel, board evaluation is carried out annually in the form of a self-evaluation of the board's overall efforts.</p>			
<p>2.6.2 It is recommended that once a year the board of directors evaluate the work and performance of the executive board and/or the administrator (where relevant) in accordance with predefined clear criteria.</p>	<p>The board continuously monitors and evaluates the management's work and results every year based on the guidelines set by the board. Rules of Procedure and Authorizations and Administrative Guidelines for the Executive Board of Lauritzen Fonden and Lauritzen Fonden Holding ApS define duties and responsibilities. "The board's own time" is a fixed item on the agenda, where there will always be an opportunity for dialogue and assessment of the management's work.</p>			
<p>3. Remuneration of management</p>				

Recommendation	The foundation <u>complies</u>	The foundation <u>explains</u> ⁴		Not applicable
		<i>why</i>	<i>how</i>	
<p>3.1.1 It is recommended that the members of the board of directors of commercial foundations be remunerated with a fixed remuneration and that members of an executive board, if any, be remunerated with a fixed remuneration, possibly combined with a bonus which should not be dependent upon accounting results. The remuneration should reflect the work and responsibilities consequential to the position.</p>	<p>Annual Remuneration:</p> <ul style="list-style-type: none"> • Chairman DKK 945,000 • Vice chairman DKK 630,000 • Other board members DKK 315,000 <p>The board determines the salary of the executive board, considering qualifications and the nature and extent of the work.</p>			
<p>3.1.2 It is recommended that the financial statements provide information about the full remuneration received by each member of the board of directors and any executive board from the commercial foundation and from the foundation's subsidiaries and associated companies. Furthermore there should be information on any other remuneration which</p>	<p>Information is provided on the total remuneration for each individual board member and each executive board member in the Annual Report.</p>			

Recommendation	The foundation <u>complies</u>	The foundation <u>explains</u> ⁴		Not applicable
		<i>why</i>	<i>how</i>	
members of the board of directors and any executive board have received for performing other work or tasks for the foundation, the foundation's subsidiaries or associated companies, except for the remuneration of employee representatives as employees.				