

## **Statutory report on corporate governance for the financial year 2013, cf. Section 107 b of the Danish Financial Statements Act**

This statement forms part of the management's review in the DFDS Annual Report covering the period 1 January – 31 December 2013. The sections "Management" and "Internal control and risk management system relating to financial reporting" are comprised by the auditors statement on the management's review included in the auditors' report. The section "Principles for good corporate governance" is not comprised.

### **MANAGEMENT**

DFDS has a two-tier management system in which the Board of Directors and the Executive Board are responsible for managing the company's affairs. There is no personal overlap between the two bodies.

The Board of Directors currently consist of ten persons, four of whom have been elected by the employees and six of whom have been elected at the shareholders meeting. The Board of Directors has established an Audit Committee, currently consisting of three members of the Board of Directors, which assists the Board of Directors in monitoring aspects relating to accounting, auditing, and internal control. The Board has also established a Nomination Committee and a Remuneration Committee which both consist of three members.

The Executive Board, currently consist of two persons, is responsible for the day-to-day management of the company and the Group, observing the guidelines and recommendations issued by the Board of Directors.

### **INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM RELATING TO FINANCIAL REPORTING**

The Board of Directors and Executive Board has the overall responsibility for the Group's risk management and internal control procedures in connection with the financial reporting process, including ensuring compliance with relevant legislation and other regulations relating to financial reporting.

The Group's risk management and internal control procedures are intended to effectively identify, manage and eliminate the risk of error and defects in the financial reporting process, but as there is always a risk of fraud, unexpected losses, etc., the internal controls and risk management systems can only provide reasonable and not absolute assurance that all significant errors and defects have been discovered and rectified in the financial reporting.

The Audit Committee appointed by the Board of Directors performs an annual assessment of the Group's risk management and internal control procedures, together with the associated management guidelines.

### **Control Environment**

Responsibility for maintaining effective internal controls and risk management procedures in connection with financial reporting rests with the Executive Board. The Executive Board has designed and implemented controls considered necessary and effective in terms of encountering the identified risks relating to financial reporting.

The Board of Directors approves the group wide risk management policies laid down by the Executive Board. These policies are incorporated into the internal control and risk management processes, which encompasses a clearly defined organisational structure specifying roles and responsibilities. On the basis of this structure, manuals have been prepared describing the key business processes, internal controls, segregation of duties, reconciliation, approval and certification procedures, and applied accounting policies. Regular checks are made to ensure that the guidelines are adhered to.

A central Financial Controlling & Compliance function has been established to monitor the financial reporting of all Group companies and ensure compliance with the applied accounting policies. Each business area has been assigned a business controlling function which validates its reported business and financial performance.

### **Risk Management**

The Executive Board undertakes ongoing assessment of the risks to which the Group is subject and takes on, including risks relating to financial reporting. If changes occur, or are expected to occur, which may affect these risks, the Executive Board presents and discusses these and the proposed actions with the Board of Directors. The Audit Committee undertakes at least one annual assessment of the internal controls over the financial reporting process in relation to the identified risks.

The Audit Committee annually, and when it is deemed needed, reviews the applied accounting policies and changes in these, as well as significant estimates relating to the financial reporting (see notes 39 and 40 to the consolidated financial statements). As part of this review, changes in accounting policies and the effect of significant estimates are discussed with the Executive Board and the auditors appointed by the Annual General Meeting.

### **Control Activities**

The control activities are intended to ensure that the guidelines on policies, manuals and procedures are adhered to, and to prevent, detect and correct material errors, etc. These control activities are partly manual, and partly system-based.

A reporting process has been established under which monthly reports are prepared to the Board of Directors, explaining deviations from the expected results and key figures for each business area and its underlying activities. Estimates for the year are updated on a quarterly basis. Detailed information is obtained for use in reports to the Board of Directors and external quarterly reports. The information obtained is intended to ensure compliance with both internal and external reporting requirements.

### **Information and Communication**

As a consequence of the ongoing work with business processes, internal controls and changes in accounting rules, regular updating is carried out on the contents of the manuals in relation to business processes, internal controls, requirements for segregation of duties, reconciliation, approval and certification, as well as applied accounting policies. The manuals are made available on the Group intranet, and in the case of major changes, the affected companies are informed directly and in reasonable time before the changes take effect, including the consequences of the changes.

### **Monitoring**

The risk management procedures and internal controls are regularly reviewed in order to continuously secure and enhance their effectiveness. Significant weaknesses and violations of internal guidelines are reported to the Executive Board, which follows up on these.

The auditors appointed by the annual general meeting report to the Board of Directors any significant weaknesses in the Group's internal control and risk management system in the audit report as a part of the audit of the consolidated financial statements and parent company financial statements, while less significant weaknesses are mentioned only in management letters to the Executive Board. Management letters for the subsidiaries are also forwarded to the Executive Board. The Board of Directors ensures that the Executive Board follows up on any matters referred to in reports to the Board of Directors, while the Executive Board ensures that the subsidiaries follow up on any identified weaknesses.

The managing directors and finance managers of the subsidiaries are required to declare annually that their reports adhere to Group reporting guidelines.

## **PRINCIPLES FOR GOOD CORPORATE GOVERNANCE**

Corporate governance, defined as “the system used to lead and control a business”, is largely built into the requirements concerning boards of directors as laid down in the Danish Companies Act. The Board of Directors and the Executive Board of DFDS believe that corporate governance initiatives should be a constant process in which the principles of good corporate governance are continuously evaluated with due consideration to current legislation, practice and recommendations. Such evaluation includes a review of the company’s and Group’s business concept, business procedures, goals, organisation, capital structure, stakeholder relations, risks and the control systems.

Once a year the Board of Directors considers to which extent the company comply with recommendations for good corporate governance as issued by the Danish Committee on Corporate Governance’s.

As required for a listed company on NASDAQ OMX Nordic under the rules for issuers of shares DFDS issues a statement of compliance with the Danish Committee on Corporate Governance’s recommendations using the “comply or explain”-principle. The recommendations have been published at [www.corporategovernance.dk](http://www.corporategovernance.dk).

## **Recommendations For Good Corporate Governance**

DFDS’ position on the individual recommendations is described in the following and can be found on [www.dfdsgroup.com](http://www.dfdsgroup.com). The recommendations specify that it is equally legitimate for a company to provide an explanation, as to comply with a specific recommendation, as the key objective is to create transparency in corporate governance matters. Accordingly, it is up to the actual situation and assessments of the company to which extent the recommendations are complied with, or whether it is considered inappropriate to comply.

## **Summary Regarding The Recommendations**

DFDS partly complies with the following recommendations:

- Recommendation 2.1.6 under Overall tasks and responsibilities of the board of directors
- Recommendation 4.2.3. under Disclosure of the remuneration policy

DFDS does not comply with the following recommendations:

- Recommendation 3.1.4. on Retirement age

Copenhagen, 28 February 2014

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
<b>1. Communication and interaction by the company with its investors and other stakeholders</b>			
<i>1.1. Dialogue between the company, shareholders and other stakeholders</i>			
1.1.1. The Committee <b>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.	Comply		<p>DFDS seeks at all times to facilitate communication between the company and its shareholders by means of the website and e-mail.</p> <p>DFDS' websites (<a href="http://www.dfds.com">www.dfds.com</a> and <a href="http://www.dfdsgroup.com">www.dfdsgroup.com</a>) contain a range of information concerning Investor Relations, including Corporate Governance.</p> <p>In addition, the website has an Investor Portal. This portal provides a direct and fully electronic channel for communication between the company and its shareholders. Shareholders can use the Investor Portal to sign up for upcoming annual general meetings, other shareholder meetings and register how the relevant shareholder wishes to receive shareholder information from the company.</p> <p>DFDS has prepared an Investor Relations manual, which summarises all guidelines and policies relating to the general release of information, and in particular to information released via NASDAQ OMX Copenhagen to the financial markets.</p> <p>Every quarter DFDS organises telephone conferences for analysts, investors and other interested parties in connection with the publication of periodical and Annual Reports. Presentations from these telephone conferences will be available on the company's website immediately after the event. In addition, the company's Executive Board regularly participates in investor meetings both in Denmark and abroad.</p>
1.1.2. The Committee <b>recommends</b> that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders and other investors, and	Comply		The company's Executive Board handles communication with investors, analysts and other stakeholders in accordance with current regulations and the company's guidelines.

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
that the board ensures that the interests of the shareholders are respected in accordance with company policies.			The Board of Directors continually reviews whether the company's policies comply with the company's relationship with stakeholders and society as a whole.
1.1.3. The Committee <b>recommends</b> that the company publish quarterly reports	Comply		DFDS publishes quarterly reports.
<i>1.2. General meeting</i>			
1.2.1. The Committee <b>recommends</b> that when organizing the company's general meeting, the board of directors plans the meeting to support active ownership.	Comply		<p>General meetings are called with at least three weeks' notice. Notification with an agenda will be sent to all shareholders who have registered for this, and relevant material for use in the general meeting will be made available in advance of the general meeting for all interested parties on the company's website.</p> <p>Shareholders can attend in person or by proxy, and both shareholders and their proxies can be accompanied by an advisor. Admission cards will be handed out on request to DFDS no later than three days before the general meeting. If a shareholder wants a particular subject or proposal to be considered at the general meeting, then the shareholder should contact the company about this in writing no later than six weeks before the general meeting.</p>
1.2.2. The Committee <b>recommends</b> that proxies granted for the general meeting allow shareholders to consider each individual item on the agenda.	Comply		Shareholders have the opportunity to vote for or against every single item on the agenda. A proxy form is sent out in advance of the ordinary general meeting to all shareholders who have registered for this. The proxy form can also be downloaded from the company's website.
<i>1.3. Takeover bids</i>			
1.3.1. The Committee <b>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	Comply		In the event of a takeover attempt, the Board of Directors will provide information about the potential advantages and disadvantages associated with the offer, in accordance with the company's takeover response manual.

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
<p>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><b>2. Tasks and responsibilities of the board of directors</b></p>			
<p><i>2.1. Overall tasks and responsibilities</i></p>			
<p>2.1.1. The Committee <b>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.</p>	Comply		<p>The Board of Directors will regularly evaluate, including in its annual strategic seminar and in connection with the preparation of the budget and accounts, whether the necessary competencies and financial resources are in place in order for the company to achieve its strategic goals.</p> <p>The Board of Directors' rules of procedure will be reviewed once every year, to the extent necessary on the basis of the requirements of the company.</p>
<p>2.1.2. The Committee <b>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.</p>	Comply		<p>The Board of Directors together with the Executive Board determines the company's overall strategy at least once a year, including at the annual strategy seminar which has a particular focus on the company's strategy and value creation in the company.</p>
<p>2.1.3. The Committee <b>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.</p>	Comply		<p>The company's Articles of Association do not contain any restrictions on voting rights, and each share has a nominal value of DKK 100 and confers the right to one vote. Accordingly, special rights are not afforded to any class of shareholder. The Articles of Association do not contain any restrictions on ownership.</p> <p>The Group has a policy on distribution of dividend and excess liquidity, which is available on <a href="http://dfdsgroup.com">dfdsgroup.com</a>. The policy is to pay an annual dividend of DKK 14 per share. In addition, excess capital, as defined by the target capital structure, will be distributed to shareholders as an extra dividend and/or a buy-back of shares. Distribution of dividend and excess capital can be suspended in connection with large investments, including acquisitions, and other strategic events.</p>

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
			<p>The capital structure is defined by the ratio of net interest-bearing debt (NIBD) to operating profit before depreciations (EBITDA). The target capital structure is a NIBD/EBITDA multiple of minimum 2.0 and maximum 3.0. Excess capital will thus be distributed to shareholders if the multiple is below 2.0, and distribution will be reduced if the multiple exceeds 3.0.</p> <p>At least once a year the Board of Directors reassesses the policy and in particular the capital structure and the Group's needed capital resources for strategic initiatives and investments. Such assessments are conducted on the basis of financial reports and in particular when significant investments are made.</p>
<p>2.1.4. The Committee <b>recommends</b> that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board on timely, accurate and adequate reporting to the board of directors.</p>	Comply		<p>DFDS' rules of procedure for the Executive Board describe the mission and division of tasks between the Board of Directors and the Executive Board, together with procedure, authorization and instructions between the Board of Directors and the Executive Board, and between the auditors and the Executive Board. The rules of procedure for the Executive Board are reviewed once every year to the extent necessary on the basis of the requirements of the company and relevant legislation.</p> <p>Reports to the Board of Directors and the Audit Committee about financial and operational risks, including the control hereof, are provided as an integral part of the reporting process to the Board.</p>
<p>2.1.5. The Committee <b>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.</p>	Comply		<p>At least once a year the Board of Directors discuss the composition of the Executive Board as well as developments, risks and succession plans.</p>
<p>2.1.6. The Committee <b>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.</p>	Comply partly		<p>Diversity including equal opportunities for both sexes is important to DFDS and has to be discussed by the Board annually. DFDS has established a policy for diversity and inclusion which is published on the company's website with a link thereto in the Annual Report.</p> <p>DFDS has the goal to have a female representation of at least 33% among the shareholder elected members of the DFDS board . DFDS does not have a specific goal for diversity at senior management levels below the Board, but has initiated actions to ensure more female senior managers as</p>

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			described in the policy for diversity and inclusion.
<i>2.2. Corporate social responsibility</i>			
2.2.1. The Committee <b>recommends</b> that the board of directors adopt policies on corporate social responsibility.	Comply		The governance of DFDS is based on policies adopted in regard to Corporate Responsibility (CR). DFDS has adopted a strategy of short and long term goals for improvements and committed partnerships with our stakeholders to achieve these goals. Strategy and goals are available on DFDS' website and in the Annual Report 2013.
<i>2.3 Chairman and vice-chairman of the board of directors</i>			
2.3.1. The Committee <b>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.	Comply		<p>The Board of Directors have appointed a Chairperson and two Deputy Chairpersons. The Deputy Chairpersons can act in the event of the Chairperson's absence and in other respects as an effective sounding board for the Chairperson.</p> <p>The tasks, obligations and responsibilities of the Chairperson and of the two Deputy Chairpersons are set out in the Board of Director's rules of procedure.</p>
2.3.2. The Committee <b>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 its 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.	Comply		The Chairperson of the Board of Directors will not perform other tasks for DFDS than to attend to his or her job as Chairperson.



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<b>3. Composition and organisation of the board of directors</b>			
<i>3.1. Composition</i>			
3.1.1. The Committee recommends that the board of directors annually accounts for <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>	Comply		<p>The Board of Directors puts specific emphasis on ensuring that its members have leadership experience from listed companies, together with knowledge and experience in a business related to DFDS' area of commercial operation, which means shipping and logistics along with the consumer market. Other significant recruitment criteria are financial expertise and experience, including knowledge of running a capital intensive business, experience with mergers &amp; acquisitions, financial reporting as well as international management.</p> <p>The Board of Directors' collective profile is characterised by its appreciable international leadership experience. Five out of the six members elected at the Annual General Meeting hold, or have held, senior positions in leading Danish or foreign businesses.</p> <p>The required competencies can be found on the company's website, and a profile of the individual board members is set out in the company's Annual Report.</p>
3.1.2. The Committee <b>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.	Comply		<p>The Board of Directors continually evaluate the composition of the Board, which, in particular, includes assessing whether the competencies required by DFDS are adequately represented on the Board.</p> <p>The Board of Directors' position is that suitable candidates are most welcome on the Board of Directors and in leadership positions in general irrespective of their gender and age, though gender or age in itself is not a qualification.</p>
3.1.3. The Committee recommends that a description of the nominated candidates' qualifications, including information about the	Comply		<p>Both new candidates as well as candidates nominated for re-election are presented in advance of the general meeting in the notice to shareholders with information about the candidates' age, background, qualifications along</p>

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candidates' <ul style="list-style-type: none"> <li>other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises, be accompanied by the notice convening the general meeting when election of members to the board of directors is on the agenda.</li> <li>demanding organizational tasks, and information</li> <li>about whether candidates to the board of directors are considered independent.</li> </ul>			with their management roles in other Danish and foreign companies or other demanding positions of trust with relevance for board level work at DFDS.  Information about the independence of board members can be found in the Annual Report under "commercial duties".
3.1.4. The Committee <b>recommends</b> that the company's articles of association stipulate a retirement age for members of the board of directors.		Not complying	The company has no fixed retirement age for board members in its Articles of Association and does not see age as such as an impediment to serving on the Board.  The Annual Report contains information about the age of the individual board members under "commercial duties".
3.1.5. The Committee <b>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.	Comply		Members of the Board of Directors are elected at the general meeting for a period of one year at a time. Re-election can take place. The average length of service for individual members of the Board was just above 8 years at the end of 2013.
<i>3.2 Independence of the board of directors</i>			
3.2.1. The Committee <b>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. To be considered independent, this person may not: <ul style="list-style-type: none"> <li>be or within the past five years have been member of the executive board, or senior staff</li> </ul>	Comply		At least half of the members of the Board of Directors elected by the general meeting are independent persons, as three of the Board of Directors' six members elected by the general meeting fulfill the recommended definition of independence .  Three of the six members elected by the general meeting do not fulfill the recommended definition of independence. Bent Østergaard has a management role in Lauritzen Fonden, which is a controlling shareholder in DFDS. Jill Lauritzen Melby has family ties to Lauritzen Fonden, which is a

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<p>member in the company, a subsidiary undertaking or an associate,</p> <ul style="list-style-type: none"> <li>• within the past five years, have received larger emoluments from the company/group,</li> <li>• a subsidiary undertaking or an associate in another capacity than as member of the board of directors,</li> <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>controlling shareholder in DFDS. Ingar Skaug has been a member of the Board of DFDS for more than 12 years.</p>

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3.3 <i>Members of the board of directors and the number of other executive functions</i>			
3.3.1. The Committee <b>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.	Comply		The assessment of each board member includes an evaluation of his or her efforts and commitment, including an assessment of whether the individual member has the opportunity to devote the time that is required for board work.
3.3.2. The Committee recommends that the management commentary, in addition to the provisions laid down by legislation, includes the following information about the members of the board of directors: <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 demanding organizational 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>	Comply		DFDS' Annual Report contains the recommended information about the individual board members.
3.4 <i>Board committees</i>			
3.4.1. The Committee recommends that the	Comply		At present DFDS has set up an Audit Committee, a Nomination Committee

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<p>company publish the following on the company's website: The terms of reference of the board committees,</p> <ul style="list-style-type: none"> <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>			<p>and a Remuneration Committee.</p> <p>The mandate and essential activities of the committees are disclosed in the description of the committees which is available on DFDS' website. The website also provides information about how many meetings the committees hold, the names and qualifications of its members, who the Chairperson of the committee is, and which members are independent members with specific qualifications.</p>
<p>3.4.2. The Committee <b>recommends</b> that a majority of the members of a board committee be independent.</p>	Comply		<p>The majority of the members of each committee are independent since each committee consists of three members of which two are independent.</p>
<p>3.4.3. The Committee recommends that the board of directors set up a formal audit committee 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> <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>	Comply		<p>An Audit Committee is established. The committee meets at least three times per year. An external auditor participates in at least two of these meetings.</p> <p>The Chairperson of DFDS' Board of Directors does not act as the Chairperson of the Audit Committee. The Audit Committee together possesses the necessary qualifications within the area of accountancy, auditing and financial matters.</p>
<p>3.4.4. The Committee recommends 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>	Comply		<p>Prior to approval of the Annual Report and other financial reporting, the Audit Committee reports to the Board of Directors on:</p> <ul style="list-style-type: none"> <li>• significant accounting policies</li> <li>• significant accounting estimates</li> <li>• related party transactions</li> <li>• uncertainties and risks, including in relation to the outlook</li> </ul>

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<p>3.4.5. The Committee recommends 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>	Comply		<p>Annually the Audit Committee assesses the need for an internal audit function .</p> <p>The Audit Committee has assessed that DFDS does not need to establish an internal audit function based on its positive assessment of the Company's internal controls, the current size and structure of the DFDS Group. Consequently, the Audit Committee has advised the Board of Directors that the establishment of an internal audit function is not necessary.</p>
<p>3.4.6. The Committee recommends that the board of directors establish a nomination committee 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</li> </ul>	Comply		<p>The Board of Directors have established a Nomination Committee comprised of the Chairmanship to assist the board. The charter of the committee include all of the tasks referred to.</p>

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
<p>board of directors and the executive board for candidates for the board of directors and the executive board, and</p> <ul style="list-style-type: none"> <li>propose an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.</li> </ul>			
<p>3.4.7. The Committee recommends that the board of directors establish a remuneration committee 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>	Comply		The Board of Directors have established a Remuneration Committee comprised of the Chairmanship to assist the board. The charter of the committee include all of the tasks referred to.
<p>3.4.8. The Committee <b>recommends</b> that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p>	Comply		The Remuneration Committee does not consult with the same external advisors as are used by the Executive Board.

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
3.5 Evaluation of the performance of the board of directors and the executive board			
3.5.1. The Committee <b>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.	Comply		Every year the Board of Directors conducts an evaluation of the work of the Board. The evaluation takes its starting point in the Order of Procedure and compares results with objectives and strategy etc. The Audit Committee conducts a separate evaluation.
3.5.2. The Committee <b>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.	Comply		At present the Board of Directors of DFDS consists of ten members, of which four are elected by the employees in accordance with Danish legislation. The Board of Directors evaluate whether the Board has a suitable size with a view to ensuring constructive debate and an effective decision-making process.
3.5.3. The Committee <b>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.	Comply		Every year the Executive Board's performance is evaluated under the leadership of the Chairperson of the Board of Directors.
3.5.4. The Committee <b>recommends</b> that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalized 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.	Comply		Every year the cooperation between the Board of Directors and the Executive Board is evaluated under the leadership of the Chairperson of the Board of Directors.



Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
<b>4. Remuneration of management</b>			
<i>4.1. Form and content of the remuneration policy</i>			
<p>4.1.1. The Committee recommends 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 components of the remuneration is based.</li> </ul> <p>The remuneration policy should be approved by the general meeting and published on the company's website.</p>	Comply		<p>According to DFDS' remuneration policy, members of the management bodies are remunerated on the basis of their contribution and results, taking into account the situation in comparable businesses.</p> <p>The company's remuneration policy consists of a thorough description of the components constituting the remuneration of Board and Executive Board. The policy is available on the company's web site.</p> <p>The Board of Directors endeavor to ensure that the remuneration policy is clear and easily understood. The total remuneration of the Chairpersons, Deputy Chairpersons, Board members and members of the Audit Committee respectively is specified in the Annual Report. No separate remuneration for participation in the Nomination or Remuneration Committees is paid.</p> <p>The remuneration policy is published on the company's website and a link is provided in the Annual Report.</p>
<p>4.1.2. The Committee recommends 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</li> </ul>	Comply		<p>See section 4.1.1 above. Remuneration agreements provide for repayment of variable components paid out erroneously.</p>

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
<p>periods for variable components in remuneration agreements are longer than one calendar year, and 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.</p>			
<p>4.1.3. The Committee <b>recommends</b> that remuneration of members of the board of directors does not include share options.</p>	Comply		<p>The members of the Board of Directors receive a fixed annual remuneration, determined after a comparison with the remuneration paid by other companies. The size of the remuneration is submitted to the general meeting for approval each year, along with the Annual Report. The members of the Audit Committee receive a separate remuneration.</p> <p>The members of the Board of Directors do not receive incentive pay.</p>
<p>4.1.4. The Committee <b>recommends that</b> 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>	Comply		See section 4.1.1 above.
<p>4.1.5. The Committee <b>recommends that</b> agreements on termination payments should not amount to more than two years' annual remuneration.</p>	Comply		Ordinary termination does not trigger termination payments amounting to more than two years' annual remuneration.
<p><i>4.2. Disclosure of the remuneration policy</i></p>			
<p>4.2.1. The Committee <b>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>	Comply		In the event that the Board of Directors wishes to amend the adopted policy, or if shareholders have raised queries at the general meeting, the remuneration policy is described in more detail in the Chairperson's report.
<p>4.2.2. The Committee <b>recommends</b> that the proposed remuneration for the board of directors for the current financial year be approved by the</p>	Comply		The remuneration of the members of the Board of Directors for the current calendar year is presented at the general meeting.

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
shareholders at the general meeting.			
4.2.3. The Committee <b>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.	Comply partly		<p>DFDS publishes the collective remuneration of the Executive Board including bonuses, but the Board of Directors currently hold the view that information regarding individual remuneration and termination benefits of members of the Executive Board are not essential for the assessment of the consolidated financial statements.</p> <p>Executive stock options granted to the Executive Board including the underlying assumptions are fully disclosed in the consolidated financial statements and in the stock announcements issued when granting the stock options.</p> <p>Information about the severance package for members of the Executive Board is set out in the notes to the consolidated financial statements.</p> <p>The consolidated financial statements contains information about the total remuneration which each individual Board member receives from the company.</p>
<b>5. Financial reporting, risk management and audits</b>			
<i>5.1. Identification of risks and transparency about other relevant information</i>			
5.1.1. The Committee <b>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.	Comply		The risks associated with DFDS' business are identified continuously by the Executive Board. DFDS strives to reduce the financial and operational risks by protection through the use of hedging and security policies and procedures, together with the observance of all relevant rules and codes of practice for DFDS' activities. Strategic and commercial risks are evaluated continuously in connection with annual strategic work and on-going reporting, and in particular in connection with major investment projects.
<i>5.2. Whistleblower scheme</i>			
5.2.1. The Committee <b>recommends</b> that the board of directors decide whether to establish a whistleblower scheme for expedient and	Comply		The Board of Directors has decided to establish a whistleblower scheme, and has obtained authority approval thereof. The scheme will become operational during 2014.

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
confidential notification of possible or suspected wrongdoing.			
<i>5.3. Contact to auditor</i>			
5.3.1. The Committee <b>recommends</b> that the board of directors ensure regular dialogue and exchange of information between the auditor and the board of directors, including that the board of directors and the audit committee at least once a year meet with the auditor without the executive board present. This also applies to the internal auditor, if any.	Comply		<p>In addition to the Audit Committee's three annual meetings with the auditor, a meeting between the Board of Directors and the auditor is held at least once per year.</p> <p>Usually the auditor twice a year issues a Long-form audit report to the Board of Directors in respect of the audit carried out and the results hereof.</p> <p>In connection with presenting the annual accounts the Audit Committee and the Executive Board will discuss essential areas within the scope of general accounting standards, including accounting estimates and judgment.</p> <p>The Board of Directors and, thus, the Audit Committee have, in accordance with the rules of procedure for the Audit Committee, found it appropriate that the Executive Board shall attend the meetings of the committee. However, the Executive Board will not attend the agenda point where the Audit Committee discuss the auditors' view on the auditors' cooperation with the Executive Board and the Company.</p>
5.3.2. The Committee <b>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.	Comply		The auditor agreement and associated auditors' fees are agreed between the Board of Directors and auditor on the basis of recommendation by the Audit Committee. Prior to that the Audit Committee and the Executive Board have discussed the audit agreement and fees.