

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

Corporate Governance Principles –  
The statement concerns the period 2021

**Sydbank**

# Recommendations of the Committee on Corporate Governance

Recommendation	Com- pliance	Com- pliance in part	Non- com- pliance	Comments of the Board of Directors:
<b>1. Interaction with the company's shareholders, investors and other stakeholders</b>				
<b>1.1. Communication with the company's shareholders, investors and other stakeholders</b>				
1.1.1. <b>The Committee recommends</b> that the management through ongoing dialogue and interaction ensures that shareholders, investors and other stakeholders gain the relevant insight into the company's affairs, and that the board of directors obtains the possibility of hearing and including their views in its work.	X			Sydbank informs investors and other stakeholders regularly about developments at the Bank at sydbank.dk. The Board of Directors meets the shareholders at the annual general meeting. In addition Sydbank participates in investor presentations, investor conferences, roadshows and informs the Board of Directors about the sentiment and the feedback from investors.
1.1.2. <b>The Committee recommends</b> that the company adopts policies on the company's relationships with its shareholders, investors and if relevant other stakeholders in order to ensure that the various interests are included in the company's considerations and that such policies are made available on the company's website.	X			Sydbank has a stakeholder policy and a conflicts of interest policy which are available at sydbank.dk.
1.1.3. <b>The Committee recommends</b> that the company publishes quarterly reports.	X			Sydbank publishes quarterly reports which are available at sydbank.dk.
<b>1.2. The general meeting</b>				
1.2.1. <b>The Committee recommends</b> that the board of directors organises the company's general meeting in a manner that allows shareholders, who are unable to attend the meeting in person or are represented by proxy at the general meeting, to vote and raise questions to the management prior to or at the general meeting. The Committee recommends that the board of directors ensures that shareholders can observe the general meeting via webcast or other digital transmission.				
1.2.2. <b>The Committee recommends</b> that proxies and postal votes to be used at the general meeting enable the shareholders to consider each individual item on the agenda.	X			Sydbank's instrument of proxy and postal vote forms enable shareholders to consider the individual items on the agenda.
<b>1.3. Takeover bids</b>				
1.3.1. <b>The Committee recommends</b> that the company has a procedure in place in the event of takeover bids, containing a "road map" covering matters for the board of directors to consider in the event of a takeover bid, or if the board of directors obtains reasonable grounds to suspect that a takeover bid may be submitted. In addition, it is recommended that it appears from the procedure that the board of directors abstains from countering any takeover bids by taking actions that seek to prevent the shareholders from deciding on the takeover bid, without the approval of the general meeting.	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:
<b>1.4. Corporate social responsibility</b>				
1.4.1. <b>The Committee recommends</b> that the board of directors adopts a policy for the company's corporate social responsibility, including social responsibility and sustainability, and that the policy is available in the management commentary and/or on the company's website. The Committee recommends that the board of directors ensures compliance with the policy.	X			The Board of Directors is responsible for preparing and updating Sydbank's sustainability and social responsibility policy, which is available at sydbank.dk. The Board of Directors ensures that the policy is complied with as a minimum once a year.
1.4.2. <b>The Committee recommends</b> that the board of directors adopts a tax policy to be made available on the company's website.	X			The Board of Directors is responsible for preparing and updating Sydbank's tax policy, which is available at sydbank.dk.
<b>2. The duties and responsibilities of the board of directors</b>				
<b>2.1. Overall tasks and responsibilities</b>				
2.1.1. <b>The Committee recommends</b> that the board of directors in support of the company's statutory objects according to its articles of association and long-term value creation considers the company's purpose and ensures and promotes a good culture and sound values in the company. The company should provide an account thereof in the management commentary and/or on the company's website.	X			Sydbank has a policy for healthy corporate culture which is available at sydbank.dk. Sydbank's foundation rests on its underlying philosophy, its core story and its 10 rules to live by. Sydbank's purpose is described in its core story. The documents are available at sydbank.dk.
2.1.2. <b>The Committee recommends</b> that the board of directors at least once a year discusses and on a regular basis follows up on the company's overall strategic targets in order to ensure value creation in the company.	X			The Board of Directors addresses regularly the Bank's strategy and its implementation. Once a year the Board of Directors holds a strategy seminar.
2.1.3. <b>The Committee recommends</b> that the board of directors on a continuous basis takes steps to examine whether the company's share and capital structure supports a strategy and long-term value creation in the interest of the company as well as the shareholders. The Committee recommends that the company gives an account thereof in the management commentary.	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 capital plan is mentioned in the Bank's annual report which is available at sydbank.dk.
2.1.4. <b>The Committee recommends</b> that the board of directors prepares and on an annual basis reviews guidelines for the executive management, including requirements in respect of the reporting to the board of directors.	X			The Board of Directors reviews its guidelines for the Group Executive Management and 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.

# Recommendations of the Committee on Corporate Governance

Recommendation	Com- pliance	Com- pliance in part	Non- com- pliance	Comments of the Board of Directors:
<b>2.2. Members of the board of directors</b>				
2.2.1. <b>The Committee recommends</b> that the board of directors, in addition to a chairperson, appoints a vice chairperson who can step in if the chairperson is absent and who can generally act as the chairperson's close sparring partner.	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.
2.2.2. <b>The Committee recommends</b> that the chairperson in cooperation with the individual members of the board of directors ensures that the members update and supplement their knowledge of relevant matters, and that the members' special knowledge and qualifications are applied in the best possible manner.	X			As part of the Board of Directors' annual self-evaluation the chairman holds individual dialogues with board members about their knowledge and qualifications as well as their contribution to the work of the Board of Directors. The Bank conducts two annual training days for the board members.
2.2.3. <b>The Committee recommends</b> that if the board of directors, in exceptional cases, requests a member of the board of directors to take on special duties for the company, for instance for a short period to take part in the daily management of the company, the board of directors should approve this in order to ensure that the board of directors maintains its independent overall management and control function. It is recommended that the company publishes any decision on allowing a member of the board of directors to take part in the daily management, including the expected duration thereof.	X			No board member undertook specific tasks or participated in the day-to-day management of the Bank.
<b>3. The composition, organisation and evaluation of the board of directors</b>				
<b>3.1. Composition</b>				
3.1.1. <b>The Committee recommends</b> that the board of directors on an annual basis reviews and in the management commentary and/or on the company's website states <ul style="list-style-type: none"> <li>· which qualifications the board of directors should possess, collectively and individually in order to perform its duties in the best possible manner, and</li> <li>· the composition of and diversity on the board of directors.</li> </ul>	X			The Board of Directors reviews on an annual basis the individual as well as collective qualifications of 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. The self-evaluation is reviewed by the Nomination Committee and the conclusions are presented to the Board of Directors. The self-evaluation in 2021 was carried out with external assistance.
3.1.2. <b>The Committee recommends</b> that the board of directors on an annual basis discusses the company's activities in order to ensure relevant diversity at the different management levels of the company and adopts a diversity policy, which is included in the management commentary and/or available on the company's website.	X			The Board of Directors discusses Sydbank's activities annually to ensure diversity. The policy on diversity is approved by the Board of Directors and is available at 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:
3.1.3. <b>The Committee recommends</b> that candidates for the board of directors are recruited based on a thorough process approved by the board of directors. The Committee recommends that in assessing candidates for the board of directors – in addition to individual competencies and qualifications – the need for continuity, renewal and diversity is also considered.	X			The Board of Directors' approved selection process includes parameters such as gender, age, experience and qualifications. An account of the process is given at board meetings. The process is transparent.
3.1.4. <b>The Committee recommends</b> that the notice convening general meetings where election of members to the board of directors is on the agenda - in addition to the statutory items – also includes a description of the proposed candidates' <ul style="list-style-type: none"> <li>· qualifications,</li> <li>· other managerial duties in commercial undertakings, including board committees,</li> <li>· demanding organisational assignments and</li> <li>· independence.</li> </ul>			X	<p><b>Why</b></p> <p>In accordance with the Bank's Articles of Association the general meeting does not elect members to the Board of Directors but it elects members to the Shareholders' Committee. Board members are elected by the Bank's Shareholders' Committee.</p> <p><b>How</b></p> <p>The relevant information is available when the Shareholders' Committee elects members to the Board of Directors.</p>
3.1.5. <b>The Committee recommends</b> that members of the board of directors elected by the general meeting stand for election every year at the annual general meeting, and that the members are nominated and elected individually.			X	<p><b>Why</b></p> <p>In accordance with the Bank's Articles of Association the general meeting does not elect members to the Board of Directors but it elects members to the Shareholders' Committee. Board members are elected by the Bank's Shareholders' Committee.</p> <p><b>How</b></p> <p>Shareholder-elected members of Sydbank's Board of Directors are elected for a one-year term with the possibility of re-election. The maximum term of office for board members elected by the Shareholders' Committee is 12 years.</p>

# Recommendations of the Committee on Corporate Governance

Recommendation	Com- pliance	Com- pliance in part	Non- com- pliance	Comments of the Board of Directors:
<b>3.2. The board of director's independence</b>				
<p>3.2.1. <b>The Committee recommends</b> that at least half of the members of the board of directors elected in general meeting are independent in order for the board of directors to be able to act independently avoiding conflicts of interests.</p> <p>In order to be independent, the member in question may not:</p> <ul style="list-style-type: none"> <li>· be or within the past five years have been a member of the executive management or an executive employee in the company, a subsidiary or a group company,</li> <li>· within the past five years have received large emoluments from the company/group, a subsidiary or a group company in another capacity than as a member of the board of directors,</li> <li>· represent or be associated with a controlling shareholder,</li> <li>· within the past year have had a business relationship (e.g. personally or indirectly as a partner or an employee, shareholder, customer, supplier or member of a governing body in companies with similar relations) with the company, a subsidiary or a group company which is significant for the company and/or the business relationship,</li> <li>· be or within the past three years have been employed with or a partner in the same company as the company's auditor elected in general meeting,</li> <li>· be a CEO in a company with cross-memberships in the company's management,</li> <li>· have been a member of the board of directors for more than twelve years, or</li> <li>· be closely related to persons who are not independent, cf. the above-stated criteria.</li> </ul> <p>Even if a member of the board of directors does not fall within the above-stated criteria, the board of directors may for other reasons decide that the member in question is not independent.</p>	X			All board members elected by the Shareholders' Committee are independent.
<p>3.2.2. <b>The Committee recommends</b> that a member of the executive management are not members of the board of directors and that a member retiring from the executive management does not join the board of directors immediately thereafter.</p>	X			No member of the Group Executive Management is also a member of Sydbank's Board of Directors. No board member is a former Group Executive Management member of Sydbank.
<b>3.3. Members of the board of directors and the number of other managerial duties</b>				
<p>3.3.1. <b>The Committee recommends</b> that the board of directors and each of the members on the board of directors in connection with the annual evaluation, cf. recommendation 3.5.1., assess how much time is required to perform board duties. The aim is for the individual member of the board of directors not to take on more managerial duties than the board member in question is able to perform in a satisfactory manner.</p>	X			Board members are subject to a limit on executive functions.

# Recommendations of the Committee on Corporate Governance

Recommendation	Com- pliance	Com- pliance in part	Non- com- pliance	Comments of the Board of Directors:
<p>3.3.2. <b>The Committee recommends</b> that the management commentary, in addition to the statutory requirements, contains the following information on the individual members of the board of directors:</p> <ul style="list-style-type: none"> <li>· position, age and gender,</li> <li>· competencies and qualifications relevant to the company,</li> <li>· independence,</li> <li>· year of joining the board of directors,</li> <li>· year of expiry of the current election period,</li> <li>· participation in meetings of the board of directors and committee meetings,</li> <li>· managerial duties in other commercial undertakings, including board committees, and demanding organisational assignments, and</li> <li>· the number of shares, options, warrants, etc. that the member holds in the company and its group companies and any changes in such holdings during the financial year.</li> </ul>	X			The information appears from the Bank's annual report.
<b>3.4. Board committees</b>				
<p>3.4.1. <b>The Committee recommends</b> that the management describes in the management commentary:</p> <ul style="list-style-type: none"> <li>· the board committees' most significant activities and number of meetings in the past year, and</li> <li>· the members on the individual board committees, including the chairperson and the independence of the members of the committee in question.</li> </ul> <p>In addition, it is recommended that the board committees' terms of reference are published on the company's website.</p>	X			<p>The information appears from the Bank's annual report.</p> <p>The committees' terms of reference are available at <a href="http://sydbank.dk">sydbank.dk</a>.</p>
<p>3.4.2. <b>The Committee recommends</b> that board committees solely consist of members of the board of directors and that the majority of the members of the board committees are independent.</p>	X			Sydbank complies with the recommendation.

# Recommendations of the Committee on Corporate Governance

Recommendation	Com- pliance	Com- pliance in part	Non- com- pliance	Comments of the Board of Directors:
<p>3.4.3. <b>The Committee recommends</b> that the board of directors establishes an audit committee and appoints a chairperson of the audit committee who is not the chairperson of the board of directors. The Committee recommends that the audit committee, in addition to its statutory duties, assists the board of directors in:</p> <ul style="list-style-type: none"> <li>· supervising the correctness of the published financial information, including accounting practices in significant areas, significant accounting estimates and related party transactions,</li> <li>· reviewing internal control and risk areas in order to ensure management of significant risks, including in relation to the announced financial outlook,</li> <li>· assessing the need for internal audit,</li> <li>· performing the evaluation of the auditor elected by the general meeting,</li> <li>· reviewing the auditor fee for the auditor elected by the general meeting,</li> <li>· supervising the scope of the non-audit services performed by the auditor elected by the general meeting, and</li> <li>· ensuring regular interaction between the auditor elected by the general meeting and the board of directors, for instance that the board of directors and the audit committee at least once a year meet with the auditor without the executive management being present.</li> </ul> <p>If the board of directors, based on a recommendation from the audit committee, decides to set up an internal audit function, the audit committee must:</p> <ul style="list-style-type: none"> <li>· prepare terms of reference and recommendations on the nomination, employment and dismissal of the head of the internal audit function and on the budget for the department,</li> <li>· ensure that the internal audit function has sufficient resources and competencies to perform its role, and</li> <li>· supervise the executive management's follow-up on the conclusions and recommendations of the internal audit function.</li> </ul>	X			<p>The Board of Directors has set up an Audit Committee. The chairman of the Board of Directors is not the chairman of the Audit Committee.</p> <p>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.</p> <p>Sydbank has an internal audit function. The Audit Committee carries out the tasks mentioned.</p>
<p>3.4.4. <b>The Committee recommends</b> that the board of directors establishes a nomination committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>· describing the required qualifications for a given member of the board of directors and the executive management, the estimated time required for performing the duties of this member of the board of directors and the competencies, knowledge and experience that are or should be represented in the two management bodies,</li> <li>· on an annual basis evaluating the structure, size, composition and results of the board of directors and the executive management and preparing recommendations for the board of directors for any changes,</li> <li>· in cooperation with the chairperson handling the annual evaluation of the board of directors and assessing the individual management members' competencies, knowledge, experience and succession as well as reporting on it to the board of directors,</li> <li>· handling the recruitment of new members to the board of directors and the executive management and nominating candidates for the board of directors' approval,</li> <li>· ensuring that a succession plan for the executive management is in place,</li> <li>· supervising the executive management's policy for the engagement of executive employees, and</li> <li>· supervising the preparation of a diversity policy for the board of directors' approval.</li> </ul>	X			<p>The Board of Directors has set up a Nomination Committee. The tasks of the committee are laid down in the terms of reference which comprise tasks mentioned in the recommendations.</p> <p>The terms of reference are available at <a href="http://sydbank.dk">sydbank.dk</a>.</p>

# Recommendations of the Committee on Corporate Governance

Recommendation	Com- pliance	Com- pliance in part	Non- com- pliance	Comments of the Board of Directors:
<p>3.4.5. <b>The Committee recommends</b> that the board of directors establishes a remuneration committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>· preparing a draft remuneration policy for the board of directors' approval prior to the presentation at the general meeting,</li> <li>· providing a proposal to the board of directors on the remuneration of the members of the executive management,</li> <li>· providing a proposal to the board of directors on the remuneration of the board of directors prior to the presentation at the general meeting,</li> <li>· ensuring that the management's actual remuneration complies with the company's remuneration policy and the evaluation of the individual member's performance, and</li> <li>· assisting in the preparation of the annual remuneration report for the board of directors' approval prior to the presentation for the general meeting's advisory vote.</li> </ul>		X		<p>The Board of Directors has set up a Remuneration Committee. The tasks of the Remuneration Committee are laid down in the terms of reference which comprise tasks mentioned in the recommendations.</p> <p>The terms of reference are available at sydbank.dk.</p> <p>The Bank's Shareholders' Committee determines the remuneration to the Board of Directors on the basis of a recommendation from the Remuneration Committee.</p>
<b>3.5. Evaluation of the board of directors and the executive management</b>				
<p>3.5.1. <b>The Committee recommends</b> that the board of directors once a year evaluates the board of directors and at least every three years engages external assistance in the evaluation. The Committee recommends that the evaluation focuses on the recommendations on the board of directors' work, efficiency, composition and organisation, cf. recommendations 3.1.-3.4. above, and that the evaluation as a minimum always includes the following topics:</p> <ul style="list-style-type: none"> <li>· the composition of the board of directors with focus on competencies and diversity,</li> <li>· the contribution and results of the board of directors and the individual members,</li> <li>· the cooperation on the board of directors and between the board of directors and the executive management,</li> <li>· the chairperson's leadership of the board of directors,</li> <li>· the committee structure and the work in the committees,</li> <li>· the organisation of the work of the board of directors and the quality of the material provided to the board of directors, and</li> <li>· the board members' preparation for and active participation in the meetings of the board of directors.</li> </ul>	X			<p>A self-evaluation of the Board of Directors is conducted and it is reviewed by the Nomination Committee.</p> <p>In connection with the self-evaluation the chairman of the Board of Directors has individual conversations with the members of the Board of Directors.</p> <p>The Nomination Committee presents the conclusions to the Board of Directors. Every third year with the participation of an external consultant.</p> <p>The evaluation includes a review as regards the issues mentioned in the recommendation.</p> <p>The annual self-evaluation for 2021 was conducted with external assistance.</p>
<p>3.5.2. <b>The Committee recommends</b> that the entire board of directors discusses the result of the evaluation of the board of directors and that the procedure for the evaluation and the general conclusions of the evaluation are described in the management commentary, on the company's website and at the company's general meeting.</p>		X		<p>Appears from the Bank's annual report and is presented to the general meeting.</p>
<p>3.5.3. <b>The Committee recommends</b> that the board of directors at least once a year evaluates the work and results of the executive management according to pre-established criteria, and that the chairperson reviews the evaluation together with the executive management. In addition, the board of directors should on a continuous basis assess the need for changes in the structure and composition of the executive management, including in respect of diversity, succession planning and risks, in light of the company's strategy.</p>	X			<p>The Board of Directors discusses the work and performance etc of the Group Executive Management in private sessions after each ordinary board meeting.</p>

# Recommendations of the Committee on Corporate Governance

Recommendation	Com- pliance	Com- pliance in part	Non- com- pliance	Comments of the Board of Directors:
<b>4. Remuneration of management</b>				
<b>4.1. Remuneration of the board of directors and the executive management</b>				
4.1.1. <b>The Committee recommends</b> that the remuneration for the board of directors and the executive management and the other terms of employment/service are considered competitive and consistent with the company's long-term shareholder interests.	X			This information appears from the remuneration policy.
4.1.2. <b>The Committee recommends</b> that share-based incentive schemes are revolving, i.e. that they are periodically granted, and that they primarily consist of long-term schemes with a vesting or maturity period of at least three years.	N/A			Sydbank does not provide share-based remuneration, which appears from the remuneration policy.
4.1.3. <b>The Committee recommends</b> that the variable part of the remuneration has a cap at the time of grant, and that there is transparency in respect of the potential value at the time of exercise under pessimistic, expected and optimistic scenarios.	X			Board members are not covered by bonus schemes. With regard to the Group Executive Management, reference is made to the remuneration policy.
4.1.4. <b>The Committee recommends</b> that the overall value of the remuneration for the notice period, including severance payment, in connection with a member of the executive management's departure does not exceed two years' remuneration including all remuneration elements.	X			This information appears from the remuneration policy.
4.1.5. <b>The Committee recommends</b> that members of the board of directors are not remunerated with share options and warrants.	X			Sydbank has chosen that remuneration to the Board of Directors does not include share options or warrants.
4.1.6. <b>The Committee recommends</b> that the company has the option to reclaim, in whole or in part, variable remuneration from the board of directors and the executive management if the remuneration granted, earned or paid was based on information which subsequently proves to be incorrect, or if the recipient acted in bad faith in respect of other matters which implied payment of a too large variable 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:
<b>5. Risk management</b>				
<i>5.1 Identification of risks and openness in respect of additional information</i>				
5.1.1. <b>The Committee recommends</b> that the board of directors based on the company's strategy and business model considers for instance the most significant strategic, business, accounting and liquidity risks. The company should give an account of these risks and the company's risk management in the management commentary.	X			Is discussed by the Board of Directors, including by the Bank's Risk Committee and Audit Committee.  The main items appear from the Bank's annual report.
5.1.2. <b>The Committee recommends</b> that the board of directors establishes a whistleblower scheme giving employees and other stakeholders the opportunity to report serious violations or suspicion thereof in an expedient and confidential manner, and that a procedure is in place for handling such whistleblower cases.	X			Sydbank has established a whistleblower scheme which is available to employees as well as external parties. Reporting is made to a third party. In 2021 to the law firm Poul Schmith/Kammeradvokaten. The scheme is managed by the Bank's Compliance function.