



## Corporate Governance

The Danish Corporate Governance Recommendations are prepared by the Committee on Corporate Governance and were last time revised 16 August 2011. Pursuant to the rules of NASDAQ OMX Copenhagen A/S, listed companies must state their position relative to these recommendations. This must be done using the “comply or explain” principle. The recommendations explains that it is equally legitimate for a company to provide an explanation, as to comply with a specific recommendation, as the key issue is to create transparency in corporate governance matters.

This document contains a detailed review of the company’s compliance with Corporate Governance Recommendations, and on the following pages the NeuroSearch Corporate Governance practice is described side by side with the recommendations.

The company has an on-going policy of actively pursuing good corporate governance, consistent with the recommendations, and currently complies with 70 of 79 recommendations. The lack of compliance towards the remaining 9 recommendations is explained in current report.

NeuroSearch A/S

28 February 2012

Patrik Dahlen  
CEO

Thomas Hofman-Bang  
Chairman of the Board



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<p><b>1. The role of the shareholders and their interaction with the management of the company</b>  <i>The company's shareholders, employees and other stakeholders have a joint interest in the company always being capable of adjusting to changing demands, which allows the company to continue to be competitive and to create value. Positive interaction between management and shareholders is therefore essential. Shareholder influence is exercised at the general meeting. As owners of the company, the shareholders should actively exercise their rights and use their influence resulting in the management protecting the interests of the shareholders as best as possible and ensuring an appropriate and balanced development of the company both in the short and the long term. Good corporate governance depends on appropriate frameworks which make it easy for the shareholders to enter into a dialogue with the management of the company. This can be encouraged by ensuring that the shareholders are always well-informed of the company's situation and outlook and that the general meeting serves as a forum for communication and discussion and is the place where shareholders express their views and make decisions.</i></p>		
<p>1.1. Dialogue between the company and its shareholders</p>		
<p>1.1.1. The Committee <b>recommends</b> that the central governing body, for example through investor relations activities, ensure an ongoing dialogue between the company and its shareholders in order that the central governing body knows the shareholders' attitude, interests and views in relation to the company and that investor relations material be made available to all investors on the company's website.</p>	<p>NeuroSearch strives to maintain an open and continuing dialogue with its shareholders. This is done through meetings with shareholders and potential investors, shareholder newsletters and teleconferences following important company announcements. Through the company's website, it is possible for the shareholders to ask questions to the company and various presentations and other investor relations documents are available to all investors on the company website.</p>	✓
<p>1.2. Capital and share structures</p>		
<p>1.2.1. The Committee <b>recommends</b> that the central governing body every year evaluate whether the company's capital and share structures continue to be in the interests of the shareholders and the company and account for this evaluation in the management commentary in the annual report and/or on the company's website.</p>	<p>On an ongoing basis, the Board of Directors evaluates whether the company's capital and share structure are in the interest of the shareholders and the company. These issues are described in the Annual Report.</p>	✓
<p>1.3. General meeting</p>		
<p>1.3.1. The Committee <b>recommends</b> that the supreme governing body and the executive board promote active ownership, including shareholders' attendance at general meetings.</p>	<p>NeuroSearch strives to promote active ownership. At the end of each year, the company publishes the complete financial calendar for the coming year including the date of the Annual General Meeting.</p>	✓



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	The shareholders are entitled to submit proposals for adoption by the general meeting in accordance with the provisions in the Articles of Association, and the company encourages all shareholders to debate company issues and ask questions to the company's Management and Board of Directors at the general meeting. At the company website it is possible for the shareholders to ask questions to the company and thereby interact with the company on an ongoing basis.	
1.3.2. The Committee <b>recommends</b> that the central governing body resolve or submit to the general meeting the question whether the general meeting shall be conducted by physical attendance or as a partly or entirely electronic general meeting.	So far, all general meetings have been held through the shareholders' physical attendance. However, NeuroSearch is evaluating whether future general meetings could be held through electronic attendance.	÷
1.3.3. The Committee <b>recommends</b> that proxies given to the supreme governing body allow shareholders to consider each individual item on the agenda.	Shareholders voting by proxy or by letter are given the opportunity to consider each individual item of the agenda.	✓
1.3.4. The Committee <b>recommends</b> that all members of the supreme governing body and the executive board be present at the general meeting.	NeuroSearch aims for all members of the Board of Directors and the Executive Management to be present at the Annual General Meeting.	✓
1.4. Takeover bids		
1.4.1. The Committee <b>recommends</b> that the central governing body, from the moment it obtains knowledge that a takeover bid will be submitted, do 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.	NeuroSearch does not have any form of anti-takeover measures in the form of voting restrictions or other types of ownership limitations etc. In case of a takeover bid NeuroSearch will comply with this recommendation.	✓
1.4.2. The Committee <b>recommends</b> that the central governing body give the shareholders the opportunity to decide whether or not they wish to dispose of their shares in the company under the terms offered.	NeuroSearch complies with this recommendation but the company reserves the right to assess the takeover bid.	✓
<p><b>2. The role of stakeholders and their importance to the company and the company's corporate social responsibility</b></p> <p><i>In order for a company to be able to adjust readily to changing demands and thus stay competitive and deliver value-adding performance, it is essential for the company to have, in addition to the dialogue with its shareholders, a good relationship with its stakeholders. The management of the company should operate and develop the company with due consideration of its stakeholders and to a reasonable extent engage in active dialogue with its stakeholders to develop and strengthen the company. Such dialogue may take place at investor meetings etc.</i></p>		
2.1. The company's policy in relation to its stakeholders		



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2.1.1. The Committee <b>recommends</b> that the central governing body identify the company's key stakeholders and their main interests in relation to the company.	NeuroSearch complies with this recommendation. The company's corporate communication policy identifies key stakeholders within the investor community and the CSR report covers other main stakeholders. These documents also describe how the company interacts with the stakeholders. The CSR report is available at the company website.	✓
2.1.2. The Committee <b>recommends</b> that the central governing body adopt a policy on the company's relationship with its stakeholders, including the investors, and ensure that the interests of the stakeholders are respected in accordance with the company's policy on such issues.	See above.	✓
2.2. Corporate social responsibility		
2.2.1. The Committee <b>recommends</b> that the central governing body adopt a policy on corporate social responsibility.	NeuroSearch complies with this recommendation and the information is contained in the CSR report which can be downloaded from the company's website.	✓
<b>3. Openness and transparency</b> <i>Shareholders, including potential shareholders, and other stakeholders have different needs for information about the company. Their understanding of and relations to the company depend on the amount and the quality of information published by the company. Openness and transparency are essential conditions for ensuring that the company's shareholders and other stakeholders are able to regularly evaluate and relate to the company and its future. Openness and mutual respect are prerequisites for a fruitful interaction between the company and its stakeholders. A thorough and updated communication strategy will help the company provide timely, trustworthy, accurate and up-to-date internal and external information of high quality and comply with the disclosure requirements in force from time to time.</i>		
3.1. Disclosure of information to the market		
3.1.1. The Committee <b>recommends</b> that the central governing body adopt a communication strategy.	The Board of Directors has adopted a communication policy concerning all external communication of NeuroSearch. This policy contains procedures ensuring that the Company's news flow is distributed in accordance with applicable legislation and rules and appropriately keeps the various stakeholders informed about the business of NeuroSearch. The communication policy is not publicly available.	✓
3.1.2. The Committee <b>recommends</b> that information from the company to the market be published in both Danish and English.	NeuroSearch publishes information to the market in both Danish and English.	✓



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3.1.3. The Committee <b>recommends</b> that the company publish quarterly reports.	NeuroSearch publishes quarterly reports and reports from the past five years are available at the company's website.	✓
<p><b>4. The tasks and responsibilities of the supreme and the central governing bodies</b></p> <p><i>The supreme governing body is responsible for safeguarding the interests of the shareholders with care and due consideration of the other stakeholders. The most important tasks of the supreme governing body include appointing a qualified executive board, establishing its tasks, conditions of employment and distribution of work and preparing guidelines for accountability, planning, follow-up and risk management</i></p> <p><i>The supreme governing body is responsible for supervising the executive board and preparing guidelines for how to exercise this supervision. The supreme governing body is responsible for ensuring the professional development and retention or dismissal of the members of the executive board as well as ensuring that the remuneration of the members of the executive board reflects the long-term value creation in the company as well as the independent performance of the members of the executive board. Both the supreme governing body and the central governing body shall ensure that the necessary financial resources are in place at any given time. The central governing body is in charge of the overall and strategic management of the company. The central governing body must define the company's strategic goals and make sure that the necessary conditions for achieving such goals are present in the form of financial as well as competence resources and is responsible for the proper organisation of the company's activities.</i></p> <p><i>It is essential that the central governing body ensures ongoing development of and follow-up on the company's strategic goals and determines whether the conditions for achieving these goals are present.</i></p>		
4.1. Overall tasks and responsibilities		
4.1.1. The Committee <b>recommends</b> that the central governing body determine the company's overall strategy at least once every year with a view to sustaining value creation in the company.	The overall strategy of NeuroSearch is established by the Board of Directors in a strategy plan which is evaluated and approved on an annual basis.	✓
4.1.2. The Committee <b>recommends</b> that the supreme governing body at least once every year discuss and ensure that the necessary qualifications and financial resources are in place in order for the company to achieve its strategic goals.	When the NeuroSearch strategy plan is evaluated and approved every year, it is an integrated part of the process that the Board of Directors ensures that necessary qualifications and financial resources are available to implement the goals in strategy plan.	✓
4.1.3. The Committee <b>recommends</b> that the supreme governing body at least once every year define its most important tasks related to the financial and managerial control of the company, including how to supervise the work of the executive board.	NeuroSearch complies with this recommendation.	✓



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<p>4.1.4. The Committee <b>recommends</b> that the supreme governing body annually discuss the company's activities to ensure diversity at management levels, including equal opportunities for both sexes, and that the supreme governing body set measurable objectives and in the management commentary in the annual report and/or on the company's website give an account of both the objectives and the progress made in achieving the objective.</p>	<p>NeuroSearch considers diversity among its employees, managers and directors as an important factor for achieving the objectives of the company. In regard to distribution by sex and nationality the current status is as follows:</p> <ul style="list-style-type: none"> <li>- Group level: 57% females / 43% males</li> <li>- Head of departments: 53% females / 47% males</li> <li>- Vice Presidents: 33% females / 67% males</li> <li>- Executive Management: 25% females / 75% males</li> <li>- Board: 100% males</li> <li>- Danish vs. non-Danish nationality at group level: 76% Danish / 24% non-Danish</li> <li>- Danish vs. non-Danish members of the Board (elected by the general meeting): Danish: 40% / non-Danish 60%</li> </ul> <p>NeuroSearch is currently implementing a major restructuring of its business and the company plans to look into the matter of diversity, including consideration of specific objectives, when the restructuring has been implemented.</p>	÷
<p>4.2. Procedures</p>		
<p>4.2.1. The Committee <b>recommends</b> that the supreme governing body review its rules of procedure annually to ensure that they are adequate and always match the activities and needs of the company.</p>	<p>The 'Rules of Procedure for the Board of Directors of NeuroSearch A/S' and other related policies are reviewed annually. The Rules of Procedure are only available to the Board of Directors.</p>	✓
<p>4.2.2. The Committee <b>recommends</b> that the supreme governing body annually review and approve procedures for the executive board, including establish requirements for the executive board's timely, accurate and adequate reporting to the supreme governing body and for any other communication between the two governing bodies.</p>	<p>The cooperation between the Board of Directors and the Executive Management is established in the 'Guidelines for distribution of responsibilities between the Board of Directors and the Executive Management of NeuroSearch A/S'. These guidelines include timely, accurate and adequate reporting requirements, and they are reviewed and approved once a year. These guidelines are only available to the Board of Directors and the Executive Management.</p>	✓
<p>4.3. The chairman and deputy chairman of the supreme governing body <i>The most important tasks of the chairman of the supreme governing body normally include scheduling of meetings for the year, preparation of agenda for the meetings and chairing of the meetings. The chairman shall also ensure that the members currently update and</i></p>		



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<p><i>improve their knowledge of the company and that the special knowledge and skills of each individual member are used in the best possible manner and to the benefit of the company. Moreover, the chairman is responsible for promoting good and constructive relations between the members of the supreme governing body and with the executive board as well as efficient communication including with shareholders.</i></p>		
<p>4.3.1. The Committee <b>recommends</b> that a deputy chairman of the supreme governing body be appointed, who must be able to act in the chairman's absence and also act as an effective sounding board for the chairman.</p>	<p>Given the company size and structure, NeuroSearch has not found it necessary to appoint a deputy.</p>	<p>÷</p>
<p>4.3.2. The Committee <b>recommends</b> the preparation of a scope of work and task list specifying the tasks, duties and responsibilities of the chairman and deputy chairman.</p>	<p>NeuroSearch complies with this recommendation.</p>	<p>✓</p>
<p>4.3.3. The Committee <b>recommends</b> that the chairman of the supreme governing body organise, convene and chair meetings to ensure efficiency in the body's work and to create the best possible working conditions for the members, individually and collectively.</p>	<p>The Chairman of Board of Directors complies with this recommendation. The workflow of the Board is evaluated and optimised on an ongoing basis and at least once a year, the Board evaluates its own performance, including its work procedures.</p>	<p>✓</p>
<p>4.3.4. The Committee <b>recommends</b> that, if the board of directors in exceptional cases asks its chairman to perform special tasks for the company, including briefly participate in the day-to-day management, a board resolution to that effect should be passed and precautions taken to ensure that the board of directors will maintain responsibility for the overall management and control function. A reasonable distribution of duties must be ensured between the chairman, the deputy chairman, the other members of the board of directors and the executive board. Information about agreements on the chairman's participation in the day-to-day management and the expected duration hereof must be disclosed in a company announcement.</p>	<p>NeuroSearch complies with this recommendation if the chairman, in exceptional cases, is to perform special tasks for the company.</p>	<p>✓</p>
<p><b>5. Composition and organisation of the supreme governing body</b>  <i>In companies where the board of directors constitutes the supreme governing body, the board of directors should be composed in such a way as to allow it to perform its managerial tasks, including overall and strategic tasks. It is essential that the supreme governing body of a company be composed in such a way as to ensure effective performance of its control tasks and, at the same time, ensure a constructive and qualified dialogue with the executive board. It is also essential that the members of the supreme governing body always act independently of special interests. The supreme governing body should regularly assess whether its composition and the skills of its members, individually and collectively, reflect the demands posed by the company's situation and circumstances. Diversity may improve the quality of the work performed by the</i></p>		



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<i>supreme governing body. To increase value creation, the supreme governing body should carry out an evaluation of its members every year and ensure integration of new talent while maintaining continuity.</i>		
5.1. Composition		
5.1.1. The Committee <b>recommends</b> that the supreme governing body annually specify the skills it must have to best perform its tasks and that the specification be posted on the website. Proposals for the nomination/replacement of members of the supreme governing body to be submitted to the general meeting should be prepared in the light hereof.	The Board of Directors has prepared a list of necessary skills to perform its tasks. The list is published at the company's website and will be evaluated at least once a year. Nomination of new Board members will take place with due consideration to this list of skills.	✓
5.1.2. The Committee <b>recommends</b> that the supreme governing body ensure a formal, thorough and transparent process for selection and nomination of candidates to the supreme governing body. When assessing its composition and nominating new candidates, the supreme governing body must take into consideration the need for integration of new talent and the need for diversity in relation to international experience, gender and age, etc.	NeuroSearch strives to comply with these recommendations in regard to the nomination of new Board members.	✓
5.1.3. The Committee <b>recommends</b> that a description of the nominated candidates' qualifications, including information about other executive functions, e.g. memberships of executive boards, boards of directors and supervisory boards, including board committees, held by the candidates in both Danish and foreign companies as well as information on demanding organisational tasks should accompany the notice convening the general meeting when election of members to the supreme governing body is on the agenda.	NeuroSearch complies with this recommendation.	✓
5.1.4. The Committee <b>recommends</b> that every year, the annual report contain an account of the composition of the supreme governing body, including its diversity, and of any special skills possessed by the individual members.	This information is made available in the Annual Report and at the company's website.	✓
5.2. Training of members of the supreme governing body		
5.2.1. The Committee <b>recommends</b> that new members joining the supreme governing body be given an introduction to the company.	When new members join the Board of Directors, the Chairman ensures that they receive a thorough and adequate introduction to the company.	✓
5.2.2. The Committee <b>recommends</b> that the supreme governing body annually assess whether the skills and expertise of its members need to be updated.	It is an integrated part of the annual performance evaluation to assess whether the skills and the expertises of the Board of Directors need to be upgraded.	✓
5.3. Number of members of the supreme governing body		
5.3.1. The Committee <b>recommends</b> that the supreme governing body have only so many members as to allow a constructive debate and an effective decision-making	According to the Articles of Association, the general meeting shall elect between three and eight	✓



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process enabling all members to play an active role.	members to the Board of Directors. Currently, the Board of Directors consists of a total of eight members; five members elected by the general meeting and three members elected by the employees. NeuroSearch believes that this number of Board members is appropriate and accommodates this recommendation.	
5.3.2. The Committee <b>recommends</b> that in connection with the preparation for each year's general meeting, the supreme governing body consider whether the number of members is appropriate in relation to the requirements of the company.	In connection with the preparation of the Annual General Meeting and other general meetings where new members are to be elected to the Board of Directors, the Board considers whether the number of members is appropriate in relation to the company's requirements.	✓
5.4. The independence of the supreme governing body		
<p>5.4.1. In order for the members of the supreme governing body to act independently of special interests, the Committee <b>recommends</b> that at least half of the members elected by the general meeting be independent persons. The independent supreme governing body member may not:</p> <ul style="list-style-type: none"> <li>• be, or have been within the last five years, a member of the executive board/managerial staff of the company or an associated company,</li> <li>• have received significant additional remuneration from the company/group or an associated company apart from a fee for its services in the capacity as a member of the supreme governing body,</li> <li>• represent the interests of a controlling shareholder,</li> <li>• within the last year, have had a material business relationship (e.g. personally or indirectly as a partner or an employee, shareholder, customer, supplier or member of a governing body of companies with similar relations) with the company or an associated company,</li> <li>• be, or have been within the last three years, an employee or partner of the external audit firm,</li> <li>• hold cross-memberships of governing bodies,</li> <li>• have been a member of the supreme governing body for more than 12 years, or</li> <li>• have close family ties with persons that are not regarded as independent persons.</li> </ul>	NeuroSearch complies with the independence requirements in this recommendation.	✓
5.4.2. The Committee <b>recommends</b> that at least once every year, the supreme governing body list the names of the members who are regarded as independent persons and also disclose whether new candidates for the supreme governing body are considered independent persons.	NeuroSearch complies with this recommendation.	✓



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5.5. Members of the supreme governing body elected by the employees		
5.5.1. The Committee <b>recommends</b> that the individual company explain, in the company's annual report or on its website, the system of employee-elected board members and the company's use hereof in companies where the employees have chosen to apply the provisions of the Companies Act on employee representation.	The employees of NeuroSearch have chosen to apply the provisions of the Companies Act on employee representation. Currently, NeuroSearch has three employee-elected Board members. The system of employee-elected Board members and the company's use hereof is described at the company website.	✓
5.6. Meeting frequency		
5.6.1. The Committee <b>recommends</b> that the supreme governing body meet at regular intervals according to a predetermined meeting and work schedule or when meetings are deemed necessary or appropriate as required by the company and that the number of meetings held be disclosed in the annual report.	NeuroSearch complies with this recommendation.	✓
5.7. Expected time commitment and the number of other executive functions		
5.7.1. The Committee <b>recommends</b> that each member of the supreme governing body assess the expected time commitment for each function in order that the member does not take on more functions than he/she can manage in a satisfactory way for the company.	Each member of the Board of Directors assesses on an ongoing basis that he/she has sufficient time to meet the requirements associated with the directorship. Such evaluation is also made when nominating new candidates to the Board of Directors.	✓
5.7.2. The Committee <b>recommends</b> that the annual report contain the following information about the members of the supreme governing body: • the member's occupation, • the member's other executive functions, e.g. memberships of executive boards, boards of directors and supervisory boards, including board committees, in Danish and foreign companies as well as demanding organisational tasks, and • the number of shares, options, warrants, etc. that the member holds in the company and its consolidated companies and any changes in such holdings during the financial year.	This information is included in the Annual Report and is also published at the company website.	✓
5.8. Retirement age		
5.8.1. The Committee <b>recommends</b> that the company's articles of association fix a retirement age for members of the supreme governing body and that the annual report contain information on such retirement age as well as the age of each member of the board of directors.	NeuroSearch complies with this recommendation and requires that members of the Board of Directors retire on or before the Annual General Meeting which follows the 70 <sup>th</sup> birthday of the Board member.	✓
5.9. Election period		
5.9.1. The Committee <b>recommends</b> that members of the supreme governing body elected by the general meeting be up for re-election every year at the annual general meeting.	The members of the Board of Directors elected by the general meeting are up for re-election every year.	✓
5.9.2. The Committee <b>recommends</b> that the annual report state when the individual member of the supreme governing body joined the body, whether the member	NeuroSearch complies with this recommendation and also provides the information at the company	✓



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was re-elected and when the current election period expires.	website.	
<p>5.10. Board committees  <i>Board committees may increase efficiency and improve the quality of the work performed by the supreme governing body by assisting in the preparation and processing of the material on which supreme governing body decisions is based, including material on audit, composition of the management and remuneration of the management. A board committee should be set up with the sole purpose of facilitating the transaction of business by the supreme governing body and must not cause significant information required by all members of the supreme governing body only to be communicated to the board committee. The supreme governing body remains fully responsible for all decisions based upon board committee recommendations. The establishment of a committee should not result in a pause or halt in the transaction of business by the supreme governing body. The supreme governing body evaluates on an ongoing basis whether there is a need for establishing additional board committees, including a risk committee, etc.</i></p>		
<p>5.10.1. The Committee <b>recommends</b> that the company publish the following information in the management commentary in its annual report or on the company's website:</p> <ul style="list-style-type: none"> <li>• the terms of reference for the board committees, • 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>NeuroSearch has set up two committees:</p> <ul style="list-style-type: none"> <li>• the Audit Committee with two members</li> <li>• the Scientific Committee with three members</li> </ul> <p>The information referred to in this recommendation is published in the Annual Report and on the company website.</p>	✓
<p>5.10.2. The Committee <b>recommends</b> that a majority of the members of a board committee be independent members.</p>	<p>The Audit Committee comprises two Board members. As defined in section 5.4.1 of these recommendations one of the members of the Audit Committee is not considered independent. This Board member has been member of the Board of Directors for more than 12 years. NeuroSearch considers this composition of the Audit Committee to be appropriate.  The Scientific Committee comprises three Board members who are all independent.</p>	÷
<p>5.10.3. The Committee <b>recommends</b> that the supreme governing body establish an actual audit committee.</p>	<p>NeuroSearch has established an Audit Committee which consists two of the members of the Board of Directors.</p>	✓
<p>5.10.4. The Committee <b>recommends</b> that the following be taken into account in composing the audit committee:</p> <ul style="list-style-type: none"> <li>• the chairman of the supreme governing body should not be chairman of the audit committee, and</li> </ul>	<p>NeuroSearch is in compliance with this recommendation.</p>	✓



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<ul style="list-style-type: none"> <li>• between them, the members should possess such an amount of expertise and experience as to provide an updated insight into and experience in the financial, accounting and</li> <li>• audit conditions of companies whose shares are admitted to trading on a regulated market.</li> </ul>		
<p>5.10.5. The Committee <b>recommends</b> that, prior to the approval of the annual report and other financial reports, the audit committee monitor and report to the supreme governing body 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.</li> </ul>	NeuroSearch is in compliance with this recommendation.	✓
<p>5.10.6. The Committee <b>recommends</b> that the audit committee:</p> <ul style="list-style-type: none"> <li>• annually consider whether there is a need for an internal audit function, and if so,</li> <li>• formulate 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>	NeuroSearch is in compliance with this recommendation.	✓
<p>5.10.7. The Committee <b>recommends</b> that the supreme governing body establish a nomination committee with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• describe the qualifications required in the two governing bodies and for a given position, state the expected time commitment for a position and evaluate the balance of skills, knowledge and experience available in the two governing bodies.</li> <li>• annually evaluate the structure, size, composition and performance of the governing bodies and make recommendations to the supreme governing body with regard to any changes,</li> <li>• annually evaluate the skills, knowledge and experience of the individual members of the governing bodies and report such details to the supreme governing body,</li> <li>• consider proposals submitted by relevant persons, including shareholders and members of the governing bodies, for candidates for executive</li> </ul>	The Board of Directors has not established a permanent nomination committee, however, the Board of Directors evaluates on an ongoing basis whether it is relevant to establish an ad hoc or permanent nomination committee. As a starting point, the Chairman attends to nomination matters and the tasks described in this recommendation. Some of the tasks described in this recommendation are also an integrated part of the annual performance evaluation of the Board of Directors. The Chairman nominates new candidates based on required competences and presents the candidates to the Board which will then make the final nomination.	÷



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positions, and <ul style="list-style-type: none"> <li>identify and recommend to the supreme governing body candidates for the governing bodies.</li> </ul>		
5.10.8. The Committee <b>recommends</b> that the supreme governing body establish a remuneration committee with at least the following preparatory tasks: <ul style="list-style-type: none"> <li>make proposals, for the approval of the supreme governing body prior to approval at the general meeting, on the remuneration policy, including the overall principles of incentive pay schemes, for members of the supreme governing body and the executive board,</li> <li>make proposals to the supreme governing body on remuneration for members of the supreme governing body and the executive board and ensure that the remuneration is consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the supreme governing body and the executive board receive from other companies in the group, and</li> <li>oversee that the information in the annual report on the remuneration of the supreme governing body and the executive board is correct, true and sufficient.</li> </ul>	The Board of Directors has not established a permanent remuneration committee, however, the Board of Directors evaluates on an ongoing basis whether it is relevant to establish an ad hoc or permanent remuneration committee. As a starting point, the Chairman attends to remuneration matters and the tasks described in this recommendation. Some of the tasks described in this recommendation are also an integrated part of the annual performance evaluation of the Board of Directors.	÷
5.10.9. The Committee <b>recommends</b> that the remuneration committee do not consult with the same external advisers as the executive board of the company.	See above.	÷
5.11. Evaluation of the performance of the supreme governing body and the executive board		
5.11.1. The Committee <b>recommends</b> that the supreme governing body undertake an annual evaluation of the performance and achievements of the supreme governing body and of the individual members of the body.	Once a year, a performance evaluation is conducted by the Board of Directors, including an evaluation of the Board's individual members. Questionnaires are being used and the results are presented to the Board for subsequent discussion.	✓
5.11.2. The Committee <b>recommends</b> that the chairman be in charge of the evaluation of the supreme governing body, that the outcome be discussed in the supreme governing body and that the details of the procedure of self-evaluation and the outcome be disclosed in the annual report.	Each year, the Chairman undertakes an evaluation of the Board of Directors. The procedure and outcome are disclosed in the Annual Report.	✓
5.11.3. The Committee <b>recommends</b> that the supreme governing body at least once every year evaluate the work and performance of the executive board in accordance with pre-defined criteria.	The evaluation of the work of the Executive Management is conducted at monthly meetings between the CEO and the Chairman of the Board of Directors. Once a year the work and performance of	✓



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	the executive management is evaluated in accordance with pre-defined criteria. The results of the evaluation process are subsequently considered by the entire Board of Directors.	
5.11.4. The Committee <b>recommends</b> that the executive board and the supreme governing body establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the supreme governing body and the chief executive officer and that the outcome of the evaluation be presented to the supreme governing body.	See above	✓
<p><b>6. Remuneration of members of the governing bodies</b></p> <p><i>Openness and transparency about all important issues regarding the principles for and amounts of the total remuneration offered to members of the governing bodies are essential. The principles of the remuneration policy should support a long-term value-creation for the company.</i></p> <p><i>Competitive remuneration is a prerequisite for attracting and retaining competent members of the governing bodies. The total remuneration package, i.e. the fixed and variable components and other remuneration components, should be reasonable and reflect the governing body members' independent performance, responsibilities and value creation in the company. The variable component of the remuneration should be based on actual achievements over a period of time with a view to long-term value creation.</i></p>		
6.1. Content and form of the remuneration policy		
6.1.1. The Committee <b>recommends</b> that the supreme governing body adopt a remuneration policy applicable to the supreme governing body and the executive board.	The Board of Directors has adopted a remuneration policy applicable to the Board and the Executive Management. The policy is published at the company website and will from 2011 be presented at the Annual General Meeting for approval.	✓
6.1.2. The Committee <b>recommends</b> that the remuneration policy and any changes to the policy be approved by the general meeting of the company.	Changes in the remuneration policy are presented at the Annual General Meeting for approval.	✓
6.1.3. The Committee <b>recommends</b> that the remuneration policy include a thorough description of the components of the remuneration for members of the supreme governing body and the executive board.	The remuneration policy includes a thorough description of the various components of the remuneration for the members of the Board of Directors and the registered Executive Management.	✓
<p>6.1.4. The Committee <b>recommends</b> that the remuneration policy include:</p> <ul style="list-style-type: none"> <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</li> </ul>	The company's remuneration policy includes all items in this recommendation.	✓



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remuneration is based.		
<p>6.1.5. The Committee <b>recommends</b> that, if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> <li>• limits be set on the variable components of the total remuneration package,</li> <li>• a reasonable and balanced linkage be ensured between remuneration for governing body members, expected risks and the value creation for shareholders in the short and long term,</li> <li>• there be clarity about performance criteria and measurability for award of variable components, and</li> <li>• there be criteria ensuring that vesting periods for variable components of remuneration agreements are longer than one calendar year.</li> </ul>	The company's remuneration policy includes all items in this recommendation.	✓
<p>6.1.6. The Committee <b>recommends</b> that remuneration of members of the supreme governing body do not include share or warrant programmes.</p>	Since 2010, no share or warrant programmes have been part of the remuneration of the Board of Directors. The employee-elected members of the Board of Directors are, in their capacity as employees of the company, still eligible to participate in the company's warrant programmes for the Executive Management and other employees.	✓
<p>6.1.7. The Committee <b>recommends</b> that if members of the executive board receive share-based remuneration, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should not be exercisable earlier than three years from the date of grant. An explanation of the relation between the redemption price and the market price at the time of grant should be provided.</p>	The members of the Executive Management receive warrants as a part of their remuneration and these warrant programmes are structured as roll-over programmes according to which the warrants cannot be exercised earlier than three years from the date of grant. An explanation of the relation between the redemption price and the market at the time of grant is provided at the company website.	✓
<p>6.1.8. The Committee <b>recommends</b> that, in exceptional cases, companies should be able to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be manifestly misstated.</p>	Currently, NeuroSearch does not have any cash bonus programmes, however, if the company implements such programmes, it will comply with this recommendation. In the company's warrant programmes there are no provisions stipulating that the company is entitled to reclaim bonuses that were paid on the basis of data, which proved to be manifestly misstated.	÷
<p>6.1.9. The Committee <b>recommends</b> that termination payments should not amount to more than two years' annual remuneration.</p>	NeuroSearch complies with this recommendation.	✓
<p>6.2. Disclosure of the remuneration policy</p>		
<p>6.2.1. The Committee <b>recommends</b> that the remuneration policy be clear and easily understandable and that it be disclosed in the annual report and posted on the company's website.</p>	NeuroSearch complies with this recommendation.	✓
<p>6.2.2. The Committee <b>recommends</b> that the company's</p>	NeuroSearch complies with this recommendation.	✓



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remuneration policy and compliance with this policy be explained and justified in the chairman's statement at the company's general meeting.		
6.2.3. The Committee <b>recommends</b> that the total remuneration granted to each member of the supreme governing body and the executive board by the company and other consolidated companies be disclosed in the (consolidated) financial statements and that the linkage with the remuneration policy be explained.	The total remuneration granted to each member of the Board of Directors and the registered Executive Management is disclosed in the Annual Report.	✓
6.2.4. The Committee <b>recommends</b> that the details of any defined-benefit schemes offered to members of the supreme governing body or the executive board and the actuarial value of such schemes as well as changes during the year be included as part of the information on the total remuneration.	NeuroSearch complies with this recommendation. Currently the company does not make use of defined-benefit schemes.	✓
6.2.5. The Committee <b>recommends</b> that the most important aspects of retention and severance programmes be disclosed in the company's annual report.	NeuroSearch complies with this recommendation.	✓
6.2.6. The Committee <b>recommends</b> that the proposal for remuneration of the supreme governing body for the current financial year be approved by the shareholders at the general meeting.	NeuroSearch complies with this recommendation.	✓
<p><b>7. Financial reporting</b></p> <p><i>Each member of the supreme governing body and the executive board is responsible for preparing the annual report and other financial reports in accordance with current legislation, applicable standards and any further requirements concerning financial statements stipulated in the articles of association, etc.</i></p> <p><i>The members of the said governing bodies must ensure that the financial reporting is easy to understand and balanced and provides a true and fair view of the company's financial position, performance and cash flow. The management commentary must give a true and fair presentation of the state of affairs, including the outlook.</i></p>		
7.1. Other relevant information		
7.1.1. The Committee <b>recommends</b> that the annual report and other financial reports be supplemented by additional financial and non-financial information, if deemed necessary or relevant in relation to the information needs of the recipients.	NeuroSearch complies with this recommendation. The company strives to report in a thorough and transparent manner by including relevant additional information in Annual and Interim Reports.	✓
7.2. The going concern assumption		
7.2.1. The Committee <b>recommends</b> that, upon consideration and approval of the annual report, the supreme governing body decide whether the business is a going concern, including supporting assumptions or qualifications where necessary.	NeuroSearch complies with this recommendation.	✓
<p><b>8. Risk management and internal control</b></p> <p><i>Effective risk management and an effective internal control system contribute to reducing strategic and</i></p>		



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<p><i>business risks, to ensuring observance of current rules and regulations and to ensuring the quality of the basis for management decisions and financial reporting. The company's choice of strategy naturally involves risk. It is essential that the risks are identified and communicated, and that the risks are managed appropriately. Effective risk management and internal control are a precondition for the supreme governing body and the executive board to efficiently perform the tasks bestowed upon them. Consequently, it is essential that the supreme governing body ensures effective risk management and effective internal control systems.</i></p>		
8.1. Identification of risks		
8.1.1. The Committee <b>recommends</b> that the central governing body at least once every year identify the most important business risks associated with the realisation of the company's strategy and overall goals as well as the risks associated with financial reporting.	NeuroSearch complies with this recommendation.	✓
8.1.2. The Committee <b>recommends</b> that the executive board currently report to the supreme governing body on the development within the most important areas of risk and compliance with adopted policies, frameworks etc. in order to enable the supreme governing body to track the development and make the necessary decisions.	NeuroSearch complies with this recommendation.	✓
8.2. Whistleblowing		
8.2.1. The Committee <b>recommends</b> that the supreme governing body decide whether to establish a whistleblowing scheme for expedient and confidential notification of possible or suspected wrongdoing.	The Board of Directors has determined that it is not necessary to establish a whistleblower scheme at this stage.	÷
8.3. Openness about risk management		
8.3.1. The Committee <b>recommends</b> that the management commentary in the annual report include information about the company's management of business risks.	NeuroSearch complies with this recommendation. In the Annual Report NeuroSearch describes the main risks.	✓
<p><b>9. Audit</b>  <i>Ensuring an independent, competent and thorough audit is an essential element of the work of the supreme governing body.</i></p>		
9.1. Contact to auditor		
9.1.1. The Committee <b>recommends</b> that the supreme governing body maintain a regular dialogue and exchange of information with the auditor.	A regular dialogue and exchange of information between the auditor and the Board of Directors are integrated parts of the Board's workflow.	✓
9.1.2. The Committee <b>recommends</b> that the auditor agreement and auditors' fee be agreed between the supreme governing body and the auditor on the basis of a recommendation from the audit committee.	NeuroSearch complies with this recommendation.	✓
9.1.3. The Committee <b>recommends</b> that the supreme governing body and the audit committee meet with the auditor at least once every year without the executive board present. This also applies to the internal auditor, if	In connection with the Board meeting where the Annual Report is discussed the Board of Directors has a meeting with the external auditors without management being present.	✓



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any.		
9.2. Internal audit		
9.2.1. The Committee <b>recommends</b> that the supreme governing body, on the basis of a recommendation from the audit committee, once every year decide whether to establish an internal audit for support and control of the company's internal control and risk management systems and state the reasons for its decision in the annual report.	NeuroSearch complies with this recommendation.	✓