



The Danish Corporate Governance Recommendations are prepared by the Committee on Corporate Governance (Komitéen for god Selskabsledelse) and were last revised 6 May 2013. Pursuant to the rules of NASDAQ Copenhagen A/S, listed companies are required to state their position on these recommendations applying the "comply or explain" principle.

This document contains a review of the company's compliance with the Danish Corporate Governance Recommendations, and on the following pages NeuroSearch's Corporate Governance practice is described side by side with the recommendations. It is stated in the recommendations that it may be equally legitimate for a company to provide an explanation, as to comply with a specific recommendation, since the main objective of the recommendations is to create transparency in corporate governance matters.

It is the company's policy (taking the company's current status and the level of activity into account) to actively pursue good corporate governance consistent with the recommendations. The company currently complies with 27 of 47 the recommendations. The lack of compliance, either entirely or partly, towards the remaining 17 recommendations is explained in this report.

NeuroSearch A/S
27 February 2015

Allan Andersen
CEO

Karin Garre
Chairman of the Board

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation
1. Communication and interaction by the company with its investors and other stakeholders				
<i>1.1. Dialogue between company, shareholders and other stakeholders</i>				
1.1.1. The Committee recommends that the board of directors ensure ongoing dialogue between the company and its shareholders in order for the shareholders to gain relevant insight into the company’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.		✓		Caused by the situation of the company and by the low level of activity of the company, for the time being it makes no sense to undertake an ongoing dialogue with the shareholders of the company. Any question from a shareholder will be answered and via the website of the company it is possible to get in touch with the company.
1.1.2. The Committee recommends that the board of directors adopt policies on the company’s relationship with its stakeholders, including	✓			



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shareholders and other investors, and that the board ensures that the interests of the shareholders are respected in accordance with company policies.				
1.1.3. The Committee recommends that the company publish quarterly reports		✓		NeuroSearch has decided following Q1 and Q3 to issue only status announcements while we still issue interim reports for H1. All status announcements as well as interim reports are available on our website.
<i>1.2. General meeting</i>				
1.2.1. The Committee recommends that when organizing the company’s general meeting, the board of directors plans the meeting to support active ownership.	✓			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. Pursuant to the Articles of Association the shareholders are entitled to submit proposals for adoption by the general meeting in, and the company encourages all shareholders to debate company issues

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				and ask questions to the company's Executive Management and the Board of Directors at the general meeting. On the company's website it is possible for the shareholders to ask questions to the company and thereby interact with the company on an on-going basis.
1.2.2. The Committee recommends that proxies granted for the general meeting allow shareholders to consider each individual item on the agenda.	✓			
<i>1.3. Takeover bids</i>				
1.3.1. The Committee recommends that the company set up contingency procedures in the event of takeover bids from the time that the board of directors has reason to believe that a takeover bid will be made. According to such contingency procedures, the board of directors should not without the acceptance of the general meeting, attempt to counter the takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid themselves.	✓			

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2. Tasks and responsibilities of the board of directors				
<i>2.1. Overall tasks and responsibilities</i>				
2.1.1. The Committee recommends that at least once a year the board of directors take a position on the matters related to the board’s performance of its responsibilities.	✓			
2.1.2. The Committee recommends that at least once a year the board of directors take a position on the overall strategy of the company with a view to ensuring value creation in the company.	✓			The overall strategy of the company is established by the Board of Directors in a strategy plan which is evaluated and approved on an annual basis.
2.1.3. The Committee recommends that the board of directors ensure that the company has a capital and share structure ensuring that the strategy and longterm 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.	✓			On an on-going basis, the Board of Directors evaluates whether the company's capital and share structure are aligned with the strategy of the company and in the interest of the shareholders and the company. These issues are described in the management's review in the Annual Report.
2.1.4. The Committee recommends that the board of directors annually review and approve guidelines	✓			The cooperation between the Board of Directors and the

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for the executive board; this includes establishing requirements for the executive board on timely, accurate and adequate reporting to the board of directors.				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.
2.1.5. The Committee recommends that at least once a year the board of directors discuss the composition of the executive board, as well as developments, risks and succession plans.	✓			
2.1.6. The Committee recommends 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		✓		NeuroSearch acknowledges that diversity among its employees, managers and directors is important for achieving the objectives of the company. NeuroSearch is in a transition phase in which the company's activities

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company's annual report and/or on the website of the company.				have been changed. NeuroSearch plans to look into the matter of diversity, including consideration of specific objectives, when there is clarity about the company's future activities.
<i>2.2. Corporate social responsibility</i>				
2.2.1. The Committee recommends that the board of directors adopt policies on corporate social responsibility.			✓	NeuroSearch pays attention to the company's corporate social responsibility and describes the related work in the annual report. However, due to the company's size and current activities, NeuroSearch has not adopted any policies for the company's corporate social responsibility.
<i>2.3. Chairman and vice-chairman of the board of directors</i>				
2.3.1. The Committee recommends appointing a vice-chairman of the board of directors who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective sparring partner for the chairman.			✓	Due to the company's size and structure, NeuroSearch has not found it necessary to appoint a deputy chairman.

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<p>2.3.2. The Committee recommends 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.</p>	✓			<p>NeuroSearch complies with this recommendation if the chairman, in exceptional cases, is to perform special tasks for the company.</p>
<p>3. Composition and organization of the board of directors</p>				
<p><i>3.1. Composition</i></p>				
<p>3.1.1. The Committee recommends that the board of directors annually accounts for</p> <ul style="list-style-type: none"> • the skills it must have to best perform its tasks, • the composition of the board of directors, and • the special skills of each member. 		✓		<p>In the view of NeuroSearch, the Board of Directors possesses the necessary qualifications in the current transition phase. When there is certainty about the company's future activities, the Board of Directors intends to follow this recommendation.</p>
<p>3.1.2. The Committee recommends that the selection and nomination of candidates for the board of directors be carried out through a thoroughly</p>	✓			<p>NeuroSearch strives to comply with this recommendation in regard to</p>

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<p>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.</p>				<p>the nomination of new Board members.</p>
<p>3.1.3. The Committee recommends that a description of the nominated candidates' qualifications, including information about the candidates'</p> <ul style="list-style-type: none"> • 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. • demanding organizational tasks, and information • about whether candidates to the board of directors are considered independent. 	<p>✓</p>			
<p>3.1.4. The Committee recommends that the company's articles of association stipulate a retirement age for members of the board of directors.</p>			<p>✓</p>	<p>Due to the company's size and activities, it is in the view of the Board of Directors not necessary to stipulate a retirement age in the Articles of Association. However, the Board of</p>

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				Directors evaluates this matter on an on-going basis.
3.1.5. The Committee recommends that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.	✓			
<i>3.2. Independence of the board of directors</i>				
<p>3.2.1. The Committee recommends that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests. To be considered independent, this person may not:</p> <ul style="list-style-type: none"> • be or within the past five years have been member of the executive board, or senior staff member in the company, a subsidiary undertaking or an associate, • within the past five years, have received larger emoluments from the company/group, • a subsidiary undertaking or an associate in another capacity than as member of the board of directors, • represent the interests of a controlling shareholder, • within the past year, have had significant business relations (e.g. personal or indirectly as partner or 			✓	NeuroSearch does not comply with this recommendation as one of the members elected by the general meeting has been a member of the Board of Directors for more than 12 years. Furthermore, another member elected by the general meeting has acted as legal advisor for NeuroSearch and has in this connection received a separate fee from the company. Finally, the chairman of the Board of Directors has previously held an executive position in the company.

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<p>employee, shareholder, customer, supplier or member of the executive management in companies with corresponding connection) with the company, a subsidiary undertaking or an associate.</p> <ul style="list-style-type: none"> • be or within the past three years have been employed or partner at the external auditor, • have been chief executive in a company holding cross-memberships with the company, • have been member of the board of directors for more than 12 years, or • have been close relatives with persons who are not considered independent. 				<p>Even though the Board members cannot be considered independent pursuant to the definition, it is NeuroSearch's opinion that they are able to perform the duties of their directorships independently of special interests.</p>
<p><i>3.3. Members of the board of directors and the number of other executive functions</i></p>				
<p>3.3.1. The Committee recommends 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.</p>	✓			<p>Each member of the Board of Directors assesses on an on-going basis if he/she has sufficient time to meet the requirements related to the directorship. Such evaluation is also made when nominating new candidates to the Board of Directors.</p>
<p>3.3.2. The Committee recommends that the management commentary, in addition to the provisions laid down by legislation, includes the</p>	✓			<p>This information is included in the Annual Report and is also available on the company's website.</p>

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<p>following information about the members of the board of directors:</p> <ul style="list-style-type: none"> • the position of the relevant person, • the age and gender of the relevant person, • whether the member is considered independent, • the date of appointment to the board of directors of the member, • expiry of the current election period, • other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises and • demanding organizational tasks, and • the number of shares, options, warrants and similar in the company, and other group companies of the company, owned by the member, as well as changes in the portfolio of the member of the securities mentioned which have occurred during the financial year. 				
3.4. Board committees				
<p>3.4.1. The Committee recommends that the company publish the following on the company's website:</p> <p>The terms of reference of the board committees,</p>			✓	<p>NeuroSearch has not established any permanent Board Committees. The duties of the audit committee are managed jointly by all the members of the Board. The information</p>

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<ul style="list-style-type: none"> the most important activities of the committees during the year, and the number of meetings held by each committee, and the names of the members of each committee, including the chairmen of the committees, as well as information on which members are independent members and which members have special qualifications. 				referred to in this recommendation is published in the Annual Report and on the company's website.
<p>3.4.2. The Committee recommends that a majority of the members of a board committee be independent.</p>			✓	Due to the limited complexity of the company the duties of the audit committee are managed jointly by all the members of the Board of Directors. The Board members elected by the general meeting cannot pursuant to the definition be considered independent, see item 3.2.1 above.
<p>3.4.3. The Committee recommends that the board of directors set up a formal <u>audit committee</u> composed such that</p> <ul style="list-style-type: none"> the chairman of the board of directors is not chairman of the audit committee, and 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 			✓	Due to the limited complexity of the company the tasks of the audit committee are managed jointly by the members of the entire Board of Directors.

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companies whose shares are admitted to trading on a regulated market.				
<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"> • significant accounting policies, • significant accounting estimates, • related party transactions, and • uncertainties and risks, including in relation to the outlook for the current year. 		✓		Due to the limited complexity of the company the duties of the audit committee are managed jointly by the members of the Board of Directors and in this relation this recommendation is complied with.
<p>3.4.5. The Committee recommends that the audit committee:</p> <ul style="list-style-type: none"> • 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 • monitor the executive board’s follow-up on the conclusions and recommendations of the internal audit function. 		✓		Due to the limited complexity of the company the duties of the audit committee are managed jointly by all the members of the Board of Directors and in this relation this recommendation is complied with.
<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>			✓	The Board of Directors has not established a permanent nomination committee, however, the Board of Directors evaluates on an

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<ul style="list-style-type: none"> 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, 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, annually assess the competences, knowledge and experience of the individual members of management, and report to the board of directors in this respect, consider proposals from relevant persons, including shareholders and members of the board of directors and the executive board for candidates for the board of directors and the executive board, and propose an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes. 				<p>on-going basis whether it is relevant to establish an ad hoc or permanent nomination committee. In general, the Chairman attends to nomination matters and the tasks described in this recommendation.</p> <p>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 qualifications and presents the candidates to the Board of Directors which will make the final nomination.</p>
<p>3.4.7. The Committee recommends that the board of directors establish a remuneration committee with at least the following preparatory tasks:</p>			✓	<p>The Board of Directors has not established a permanent remuneration committee, however, the Board of Directors evaluates on an</p>

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<ul style="list-style-type: none"> 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, 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 recommend a remuneration policy applicable for the company in general. 				<p>on-going basis whether it is relevant to establish an ad hoc or permanent remuneration committee. As a general rule, the Chairman is responsible for matters relating to remuneration 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.</p>
<p>3.4.8. The Committee recommends that the remuneration committee does not consult with the same external advisers as the executive board of the company.</p>			✓	<p>See item 3.4.7</p>
<p><i>3.5. Evaluation of the performance of the board of directors and the executive board</i></p>				
<p>3.5.1. The Committee recommends that the board of directors establish an evaluation procedure where contributions and results of the board of directors</p>		✓		<p>Once a year, a performance evaluation of the achieved results is conducted by the Board of Directors, including</p>



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<p>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.</p>				<p>an evaluation of the Board's individual members. However, the Board of Directors has not decided upon a fixed evaluation procedure.</p>
<p>3.5.2. The Committee recommends 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.</p>	<p>✓</p>			<p>Pursuant to the Articles of Association, the general meeting shall elect between three and eight members to the Board of Directors. Currently, the Board of Directors consists of a total of three members. NeuroSearch believes that this number of Board members is appropriate and accommodates this recommendation. In relation to the preparations of ordinary general meetings and extraordinary general meetings where new Board members are to be elected, the Board will assess whether the number of Board members is appropriate taking the</p>

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				company's needs into consideration.
3.5.3. The Committee recommends 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.	✓			The evaluation of the work of the Executive Management is conducted by on-going meetings between the CEO and the Chairman of the Board of Directors. Once a year the work and performance of the executive management is evaluated pursuant to pre-defined criteria. The results of the evaluation process are subsequently evaluated by the entire Board of Directors.
3.5.4. The Committee recommends that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a 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.	✓			See item 3.5.3
4. Remuneration of management				
<i>4.1. Form and content of the remuneration policy</i>				

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation
<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"> • a detailed description of the components of the remuneration for members of the board of directors and the executive board, • the reasons for choosing the individual components of the remuneration, and • a description of the criteria on which the balance between the individual components of the remuneration is based. <p>The remuneration policy should be approved by the general meeting and published on the company's website.</p>	✓			<p>The Board of Directors has adopted a remuneration policy applicable to the Board and the Executive Management. The policy is published on the company's website and was adopted at the Annual General Meeting in 2011. The remuneration policy contains an exhaustive description of the different components of the remuneration granted to the Executive Management and to the Board of Directors. The remuneration policy includes all items in this recommendation.</p>
<p>4.1.2. The Committee recommends that, if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> • limits be set on the variable components of the total remuneration package, • 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, • there be clarity about performance criteria and measurability for award of variable components, 	✓			<p>The company's remuneration policy includes all items in this recommendation.</p>

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<ul style="list-style-type: none"> • there be criteria ensuring that qualifying 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>4.1.3. The Committee recommends that remuneration of members of the board of directors does not include share options.</p>	✓			<p>Since 2010, no share or warrant programme has been part of the remuneration of the Board of Directors.</p>
<p>4.1.4. The Committee recommends that 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>	✓			<p>The current Executive Management of NeuroSearch has not received any warrants as part of its remuneration.</p>
<p>4.1.5. The Committee recommends that agreements on termination payments should not amount to more than two years' annual remuneration.</p>	✓.			
<p>4.2. <i>Disclosure of the remuneration policy</i></p>				

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4.2.1. The Committee recommends that the company’s remuneration policy and compliance with this policy be explained and justified annually in the chairman’s statement at the company’s general meeting.	✓			
4.2.2. The Committee recommends that the proposed remuneration for the board of directors for the current financial year be approved by the shareholders at the general meeting.	✓			
4.2.3. The Committee recommends 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.	✓			The total remuneration granted to each member of the Board of Directors and the registered Executive Management is disclosed in the Annual Report.
5. Financial reporting, risk management and audits				
<i>5.1. Identification of risks and transparency about other relevant information</i>				
5.1.1. The Committee recommends that the board of directors in the management commentary review and account for the most important strategic and business-related risks, risks in connection with the	✓			

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financial reporting as well as for the company's risk management.				
<i>5.2. Whistleblower scheme</i>				
5.2.1. The Committee recommends that the board of directors decide whether to establish a whistleblower 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 whistleblowing scheme at this stage.
<i>5.3. Contact to auditor</i>				
5.3.1. The Committee recommends 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.		✓		A regular dialogue and exchange of information between the auditor and the Board of Directors is an integrated part of the Board's workflow. The Board of Directors meets with the external auditors in relation to discussions of the annual report. The CEO is also a member of the Board.
5.3.2. The Committee recommends 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.			✓	NeuroSearch does not have an audit committee, however, the board follows the remaining part of the recommendation.

