



The Danish Corporate Governance Recommendations are prepared by the Committee on Corporate Governance (Komitéen for god Selskabsledelse) and were last revised November 2017. 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 29 of 47 the recommendations. The lack of compliance, either entirely or partly, towards the remaining 18 recommendations is explained in this report.

NeuroSearch A/S
25 February 2019

Allan Andersen
CEO

Mikkel Primdal Kæregaard
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, so that the shareholders gain relevant insight into the company and in order for the board of directors to be aware of the shareholders’ views, interests and opinions in relation to 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 that the board of directors ensure that the interests of the stakeholders are respected in accordance with company policies.				
1.1.3. The Committee recommends that the company publish quarterly reports.		✓		NeuroSearch publishes interim reports for H1 but does not publish other quarterly reports due to the company's current limited activities. All status announcements as well as interim reports for the last five years are available on the company's website.
<i>1.2. General meeting</i>				
1.2.1. The Committee recommends that in organising 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, and the company



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				encourages all shareholders to debate company issues 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.
1.2.2. The Committee recommends that proxies or votes by post 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. The contingency procedures should establish that 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 annually the board of directors consider the matters that should be included in the board's performance of its work.	✓			
2.1.2. The Committee recommends that at least once annually the board of directors consider 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 which supports that the strategy and long-term value creation of the company are in the best interest of the shareholders and the company, and that the board of directors explain this in the management commentary 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's 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 annually, the board of directors discuss the composition, developments, risks and succession plans of the executive board.	✓			
<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



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				and current very limited 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.	✓			
2.3.2. The Committee recommends that, if the board of directors, in exceptional cases, asks the chairman of the board of directors or other board members to perform special activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect should be passed to ensure that the board of directors maintains its independent, general management and control function. Resolutions on the chairman’s or other board members’ participation in day-to-day management and the expected duration hereof should be publicly announced.	✓			NeuroSearch complies with this recommendation if the chairman, in exceptional cases, is to perform special tasks for the company.
3. Composition and organization of the board of directors				



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<i>3.1. Composition</i>				
<p>3.1.1. The Committee recommends that the board of directors annually evaluate and in the management commentary account for</p> <ul style="list-style-type: none"> • the competencies that it must have to best perform its tasks, • the composition of the board of directors, and • the special competencies 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 board of directors annually discuss the company's activities to ensure relevant diversity at management levels and prepare and adopt a policy on diversity. The policy should be published on the company's website.</p>		✓		<p>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 have been changed, and therefore has not had such discussions on an annual basis. NeuroSearch intends as soon as possible to prepare and publish a policy on diversity.</p>

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<p>3.1.3. The Committee recommends that the selection and nomination of candidates for the board of directors be carried out through a careful and transparent process approved by the board of directors. When assessing its composition and nominating new candidates, the board of directors should, in addition to the need for competencies and qualifications, take into consideration the need for integration of new talent and diversity.</p>	✓			
<p>3.1.4. The Committee recommends that the notice convening a general meeting where the agenda includes the election of members to the board of directors, include (in addition to the statutory requirements) a description of the qualifications of nominated candidates, including information about the candidates'</p> <ul style="list-style-type: none"> • other executive functions, including positions on executive boards, boards of directors and supervisory boards, including board committees, in Danish and foreign enterprises, and • demanding organisational tasks. <p>Furthermore, it should be indicated if the candidates to the board of directors are considered independent.</p>	✓			
<p>3.1.5. The Committee recommends that members of the company's executive board be not members of the board of directors and that a resigning chief</p>			✓	The company is currently in a transitional phase, and the Board of Directors has



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executive officer be not directly elected as chairman or vice chairman for the same company.				assessed that it is appropriate and desirable that the CEO therefore continues as member of the Board of Directors.
3.1.6. 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.</p> <p>To be considered independent, this person may not:</p> <ul style="list-style-type: none"> • be or within the past five years have been a member of the executive board, or senior staff member in the company, a subsidiary or an associated company, • within the last five years, have received significant remuneration from the company/group, a subsidiary or an associated company in a different capacity than as member of the board of directors, • represent or be associated with a controlling shareholder, 			✓	NeuroSearch does not comply with this recommendation as one of the members elected by the general meeting is executive officer in the company and has been a member of the Board of Directors for more than 12 years. Furthermore, another member elected by the general meeting is chairman of the Board of Directors of NeuroSearch's majority shareholder.



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<ul style="list-style-type: none"> • within the past year, have had significant business relations (e.g. personally or indirectly as partner or employee, shareholder, customer, supplier or member of management in companies with corresponding connection) with the company, a subsidiary or an associated company. • be or within the past three years have been employed or been a partner in the same company as the auditor elected by the general meeting, • be part of the executive management in a company with cross-management representation in the company, • have been a member of the board of directors for more than 12 years, or • be a close relative with persons who are not considered independent. <p>Even if a member of the board of directors is not covered by the above criteria, certain conditions may exist that will lead the board of directors to decide that one or more members cannot be regarded as independent.</p>				<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 assess the expected time commitment for each function so that the member does not take on more functions than</p>	<p>✓</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</p>

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he/she can complete at a satisfactory level for the company.				directorship. Such evaluation is also made when nominating new candidates to the Board of Directors.
<p>3.3.2. The Committee recommends that the management commentary, in addition to the provisions laid down by legislation, includes the following information about the members of the board of directors:</p> <ul style="list-style-type: none"> • the position of the relevant person, • the age and gender of the person in question, • the person’s competencies and qualifications that are relevant to the company • whether the member is considered independent, • the member’s date of appointment to the board of directors, • expiry of the current election term, • the member’s participation in the meetings on the board of directors and committee meetings, • other management functions, including memberships in executive boards, boards of directors, and supervisory boards, including board committees in Danish and foreign enterprises and demanding organisational tasks, and • the number of shares, options, warrants and similar owned by the member in the company and other group companies, as well as changes to the 	✓			This information is included in the Annual Report.



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<p>member’s portfolio of the mentioned securities which have occurred during the financial year.</p>				
<p>3.3.3. The Committee recommends that the annual evaluation procedure, cf. section 3.5, include an evaluation of what is regarded as a reasonable level for the number of other management functions, where the number, level and complexity of the other individual management functions are taken into account.</p>	✓			
<p><i>3.4. Board committees</i></p>				
<p>3.4.1. The Committee recommends that the company publish the following on the company’s website:</p> <ul style="list-style-type: none"> • the terms of reference of the board committees, • 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 regarding which members are independent members and which members have special competencies. 		✓		<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 referred to in this recommendation is published in the Annual Report and on the company’s website.</p>



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<p>3.4.2. The Committee recommends that a majority of the members of a board committee be independent.</p>			✓	<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. Two of the Board members elected by the general meeting cannot pursuant to the definition be considered independent, see item 3.2.1 above.</p>
<p>3.4.3. The Committee recommends that the members of the board of directors set up among its members an <u>audit committee</u> and that a chairman is appointed who is not the chairman of the board of directors.</p>			✓	<p>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.</p>
<p>3.4.4. The Committee recommends that, prior to the approval of the annual report and other financial reports, the audit committee monitor and report 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. 		✓		<p>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>



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<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 function and, in such a case, presents mandates and recommendations on selecting, appointing and removing the head of any internal audit function and on the budget of the internal audit function, • ensure that if an internal audit has been established, a description of its functions and approved by the board of directors, • ensure that if an internal audit has been established, adequate resources and competencies are allocated to carry out the work, and • monitor the executive board’s follow-up on the conclusions and recommendations of the internal audit function. 	✓			<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 and in this relation this recommendation is complied with.</p>
<p>3.4.6. The Committee recommends that the board of directors establish a <u>nomination committee</u>, which is at least, responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> • describing the qualifications required by the board of directors and the executive board and for a given position, indicating the time expected to be spent carrying out a specific position, as well as assessing the competencies, knowledge 			✓	<p>The Board of Directors has not established a permanent nomination committee, however, the Board of Directors evaluates on an on-going basis whether it is relevant to establish an ad hoc or permanent nomination committee. In general, the Chairman</p>



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<p>and experience found in the two governing bodies,</p> <ul style="list-style-type: none"> • annually assessing the structure, size, composition and results of the board of directors and the executive board and recommend any changes to the board of directors, • annually assessing the competencies, knowledge, experience and succession of the individual members of management and report to the board of directors in this respect, • recommending candidates for the board of directors and the executive board, and • proposing an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes. 				<p>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 <u>remuneration committee</u>, which is at least, responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> • recommending 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, • making proposals to the board of directors on remuneration for members of the board of 			<p>✓</p>	<p>The Board of Directors has not established a permanent remuneration committee, however, the Board of Directors evaluates on an 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</p>

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<p>directors and the executive board, as well as ensuring 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 on the total remuneration that members of the board of directors and the executive board receive from other companies in the group,</p> <ul style="list-style-type: none"> • recommending a remuneration policy applicable for the company in general and • assisting with the preparation of the annual remuneration report. 				<p>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 do not consult with the same external advisers as the executive board of the company.</p>			✓	<p>See item 3.4.7</p>
<p>3.5. Evaluation of the performance of the board of directors and the executive board</p>				
<p>3.5.1. The Committee recommends that the board of directors establish an evaluation procedure for an annual evaluation of the board of directors and the individual members. External assistance should be obtained at least every third year. The evaluation should inter alia include:</p> <ul style="list-style-type: none"> • contribution and results, • cooperation with the executive board, 		✓		<p>Once a year, a performance evaluation of the achieved results is conducted by the Board of Directors, including an evaluation of the Board's individual members. However, the Board of Directors has not decided</p>



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<ul style="list-style-type: none"> • the chairman’s leadership of the board of directors, • the composition of the board of directors (including competencies, diversity and the number of members), • the work in the committees and the committee structure, and • the organisation and quality of the material that is submitted to the board of directors. <p>The evaluation procedure and the general conclusions should be described in the management commentary and on the company’s website. The chairman should account for the evaluation of the board of directors, including the process and general conclusions on the general meeting prior to the election of the board of directors.</p>				upon a fixed evaluation procedure.
<p>3.5.2. The Committee recommends that at least once annually, the board of directors evaluate the work and performance of the executive board in accordance with pre-defined criteria. Furthermore, the board of directors should evaluate the need for changes to the structure and composition of the executive board, in light of the company’s strategy.</p>	✓			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

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				subsequently evaluated by the entire Board of Directors.
<p>3.5.3. 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 formalised 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.</p>	✓			See section 3.5.2.
<p>4. Remuneration of management</p>				
<p><i>4.1. Form and content of the remuneration policy</i></p>				
<p>4.1.1. The Committee recommends that the board of directors prepare a remuneration policy for the board of directors and the executive board, which includes</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, • a description of the criteria that form the basis for the balance between the individual components of the remuneration, and 	✓			<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.</p>



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<ul style="list-style-type: none"> an explanation for the correlation between the remuneration policy and the company’s long-term value creation and relevant related goals. <p>The remuneration policy should be approved by the general meeting at least every fourth year and upon any material amendments and it should be published on the company’s website.</p>				<p>The remuneration policy includes - with the exemption of the last item regarding explanation for the correlation between the remuneration policy and the company's long-term value creation and relevant related goals - all items in this recommendation.</p> <p>Due to the company's current situation, including the completed takeover offer on the company in the fall, the Board of Directors has decided not to amend the company's remuneration policy. The Board of Directors expects to put forward a proposal for a new remuneration policy no later than at the Annual General Meeting in 2020.</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, 		✓		<p>The company's remuneration policy includes all items in this recommendation.</p>

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<ul style="list-style-type: none"> • a reasonable and balanced composition be ensured between remuneration for members of management and the value creation for shareholders in the short and long term, • clarity be established about performance criteria and measurability for the award of variable components, • it is ensured that variable remuneration not only consists of short-term remuneration components, and that long-term remuneration components must have a vesting or maturity period of at least three years, and • it be ensured that the company has the ability to reclaim, in full or in part, variable components of remuneration that were paid on the basis of information, which subsequently are found to be incorrect. 				<p>According to the company's remuneration policy, the variable remuneration includes non-share based bonus agreement with bonuses paid on an annual basis. The policy does not include possibility to reclaim remuneration.</p> <p>See also section 4.1.1. above.</p>
<p>4.1.3. The Committee recommends that remuneration of members of the board of directors does not include share options or warrants.</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, in relation to long-term incentive programmes, a share-based remuneration is used, the programmes should have a vesting or maturity period of at least three years after being allocated and should be roll-over</p>	✓			<p>The current Executive Management of NeuroSearch has not received any warrants as part of its remuneration.</p>

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programmes, i.e. the options should be granted periodically.				
4.1.5. The Committee recommends that the total value of the remuneration relating to the notice period, including severance pay, do not exceed two years of remuneration, including all components of the remuneration.	✓.			
<i>4.2. Disclosure of remuneration</i>				
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 shareholders at the general meeting consider proposals for approval of remuneration for the board of directors for the current financial year.	✓			
4.2.3. The Committee recommends that the company prepares a remuneration report that includes information on the total remuneration received by each member of the board of directors and the executive board from the company and other companies in the group and associated companies for the last three years, including information on the	✓			The remuneration report is included in the Annual Report.



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<p>most important content of retention and resignation arrangements and that the correlation between the remuneration and company strategy and relevant related goals be explained.</p> <p>The remuneration report should be published on the company’s website.</p>				
<p>5. Financial reporting, risk management and audits</p>				
<p><i>5.1. Identification of risks and transparency about other relevant information</i></p>				
<p>5.1.1. The Committee recommends that the board of directors consider and in the management commentary account for the most important strategic and business-related risks, risks in connection with the financial reporting as well as for the company’s risk management.</p>	<p>✓</p>			
<p><i>5.2. Whistleblower scheme</i></p>				
<p>5.2.1. The Committee recommends that the board of directors establish a whistleblower scheme for expedient and confidential notification of serious wrongdoing or suspicions thereof.</p>			<p>✓</p>	<p>The Board of Directors has determined that it is not necessary to establish a whistleblowing scheme at this stage[, as the CEO currently is the only employee in the company.]</p>



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<i>5.3. Contact to auditor</i>				
<p>5.3.1. The Committee recommends that the board of directors ensure regular dialogue and exchange of information between the auditor elected by the general meeting and the board of directors, including that the board of directors and the audit committee meet with the auditor elected by the general meeting at least once annually without the executive board present. This also applies to the internal auditor, if any.</p>	✓			<p>A regular dialogue and exchange of information between the auditor and the Board of Directors is an integrated part of the Board's and thereby the audit committee'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.</p>
<p>5.3.2. The Committee recommends that the audit agreement and auditor's fee be agreed by the board of directors and the auditor elected by the general meeting based on a recommendation from the audit committee.</p>	✓			<p>NeuroSearch does not have a separate audit committee, but the tasks are performed by the Board of Directors that complies with the remaining part of the recommendation.</p>