



HISTORIC VERSION 2015 - The contents of this document is part of the management review from the LEO Foundation's annual report 2015 (published 31 March 2016).

Recommendations on foundation governance

The LEO Foundation supports the recommendations on good foundation governance issued by the Danish Committee on Foundation Governance.

Recommendations

1.1. It is recommended that the Board of Trustees adopt guidelines for external communication, including who can make public statements on behalf of the foundation and on what matters. The guidelines should address the need for transparency and stakeholders' needs and possibilities to obtain relevant up-to-date information about the circumstances of the foundation.

2.1.1. It is recommended that, in order to secure the activities of the commercial foundation in accordance with the purposes and interests of the foundation, at least once a year the Board of Trustees take a position on the overall strategy and distribution policy of the foundation on the basis of the articles of association.

2.2.1. It is recommended that the Chairman of the Board of Trustees organize, convene and chair meetings of the board of trustees in order to ensure effective board work and to establish the best conditions for the work of the board members individually and collectively.

How we comply

The LEO Foundation is in compliance with this recommendation.

As a general rule, the Chairman of the Board of Trustees represents and speaks on behalf of the Foundation in all external communication on matters concerning the Foundation and its activities. However, in the daily communication with grant applicants and recipients, the Foundation is usually represented by its secretariat and specifically appointed project managers.

The LEO Foundation is in compliance with this recommendation.

Besides discussing and deciding upon the overall strategic direction and the grant policy of the Foundation at an annual strategy seminar, the Board of Trustees is constantly focused on the best possible implementation of such strategic decisions and the need for any adjustments along the way.

The LEO Foundation is in compliance with this recommendation.

The Chairman plays an active role in organizing and setting the agenda of the board meetings and, furthermore, keeps the Board of Trustees updated in between meetings on

2.2.2. It is recommended that if, in addition to the position as Chairman, in exceptional circumstances, the Chairman of the Board of Trustees is requested to perform specific operating functions for the commercial foundation, a board resolution be passed which ensures that the Board of Trustees retains its independent, overall management and control function. Appropriate allocation of responsibilities should be ensured between the Chairman, the Vice chairman, the other members of the Board of Trustees and the executive board, if any.

matters of importance for the Foundation through extensive newsletters, background material, e-mails, etc.

The LEO Foundation is in compliance with this recommendation.

As the Foundation has neither employed a CEO, an executive board nor any direct staff, the Chairman undertakes a number of management responsibilities, operating functions and coordination efforts, as needed. The responsibility for preparing any major projects or decisions to be considered by the Board of Trustees is carefully coordinated between the Chairman, the Vice chairman and the other board members in order to ensure and uphold the overall management and control function of the Board of Trustees.

2.3.1. It is recommended that the Board of Trustees regularly assess and stipulate the competencies that the Board of Trustees is to possess in order to perform the tasks incumbent upon the Board of Trustees as well as possible.

The LEO Foundation is in partial compliance with this recommendation.

The competencies represented and needed among the Board of Trustees are regularly discussed and considered by the Board of Trustees. A more comprehensive and structured profile of required competencies is in the process of being stipulated.

2.3.2. It is recommended that, with due respect of any right in the articles of association to make appointments, the Board of Trustees ensure a structured, thorough and transparent process for selection and nomination of candidates for the Board of Trustees.

The LEO Foundation is in compliance with this recommendation.

The Chairman and the Vice chairman identify new candidates for the Board of Trustees. Such new candidates are being nominated to the Board of Trustees through an open and transparent process and in accordance with written procedures and established criteria concerning eligibility and independence.

No members of the Board of Trustees are nominated or elected by any public authorities, organisations or other third parties.

Those members of the Board of Trustees who are to be elected by the employees of the LEO Group are elected in accordance with applicable laws and regulations.

2.3.3. It is recommended that members of the Board of Trustees be appointed on the basis of their personal qualities and competencies, taking into account the collective competencies of the board and, when composing and nominating new members of the board, the need for introducing new talent be weighed against the need for continuity and the need for diversity be considered in relation to commercial and grant experience, age and gender.

The LEO Foundation is in compliance with this recommendation.

The professional competencies, skills and experience, as well as the personal qualities, of prospective members of the Board of Trustees play a pivotal role in connection with election (and re-election) of board members. Likewise, the Board of Trustees seeks to strike an

2.3.4. It is recommended that, in the management review in the annual report and on the commercial foundation's website, there be an account of the composition of the Board of Trustees, including its diversity, and that the following information be provided on each board member:

- The name and position of the member
- The age and gender of the member
- Date of original appointment to the board, whether the member has been re-elected, and expiry of the current election period
- Any special competences possessed by the member
- Other managerial positions held by the member, including positions on executive boards, boards of directors and supervisory boards and board committees in Danish and foreign foundations, enterprises and institutions, as well as other demanding organization tasks
- Whether the member has been appointed by authorities/providers of grants, etc.
- Whether the member is considered independent.

2.3.5. It is recommended that the majority of the members of the Board of Trustees of the commercial foundation not also be members of the board of directors or executive board of the foundation's subsidiary or subsidiaries, unless it is a fully owned actual holding company.

2.4.1. It is recommended that an appropriate proportion of the board of trustees be independent.

If the Board of Trustees (excluding employee-elected members) is composed of up to four members, at least one member should be independent. If the Board of Trustees is composed of between five and eight members, at least two members should be independent. If the Board of Trustees is composed of nine to eleven members, at least three members should be independent, and so on.

To be considered independent, this person may not:

appropriate balance between continuity and new inspiration on the board, as well as in relation to age and gender spread among the board members.

The LEO Foundation is in compliance with this recommendation.

[Click here to see the Board of Trustees.](#)

The LEO Foundation is in compliance with this recommendation.

Two out of six members of the Board of Trustees (excluding employee-elected members) are also members of the Board of Directors of LEO Pharma A/S.

The LEO Foundation is not yet in compliance with this recommendation but expects to become compliant during 2016.

One out of six members of the Board of Trustees (excluding employee-elected members) is currently independent.

- Within the past year have had a significant business relationship (e.g. personal or indirectly as a partner or employee, shareholder, customer, supplier or member of the executive management of companies with corresponding connection) with the foundation/group or a subsidiary or associated company of the foundation
- Be or within the past three years have been employed or have been a partner of the external auditor
- Have been a member of the Board of Trustees or executive board of the foundation for more than 12 years
- Be close relatives with persons who are not considered as independent
- Be the founder or a significant donor if the purpose of the foundation is to grant support to this person's family or others who are especially close to this person
- Be a member of the management of an organisation, another foundation or similar which receives or repeatedly within the past five years has received significant donations from the foundation.

2.5.1. It is recommended that members of the Board of Trustees be appointed for a minimum period of two years and a maximum period of four years.

The LEO Foundation is in compliance with this recommendation.

The election period for members of the Board of Trustees elected under the articles of association (charter) of the Foundation is two years. By law, the election period for employee-elected members is four years.

2.5.2. It is recommended that an age limit for members of the Board of Trustees be set which is published in the management review or on the foundation's website.

The LEO Foundation is in compliance with this recommendation.

According to the articles of association (charter) of the Foundation, the age limit for membership is set at 70 years.

2.6.1. It is recommended that the Board of Trustees establish an evaluation procedure in which the Board of Trustees, the Chairman and the contributions and performance of individual members are evaluated annually and the result is discussed by the Board of Trustees.

The LEO Foundation is in compliance with this recommendation.

The Chairman has held structured discussions with each member of the Board of Trustees concerning a number of topics, including the performance, contributions and competencies of the various board members, as well as the collaboration within the Board of Trustees. Based on these talks, the Chairman has issued an anonymous report that has been distributed and discussed among the Board of Trustees and appropriate actions have been agreed upon. Alternative evaluation procedures may be considered going forward.

2.6.2. It is recommended that once a year the Board of Trustees evaluate the work and performance of the executive board and/or the administrator (where relevant) in accordance with predefined clear criteria.

The LEO Foundation is in compliance with this recommendation.

No executive board has been appointed for which reason there is no work and collaboration to evaluate in this regard. The work of and the collaboration with the newly appointed administrator will be evaluated by the Board of Trustees annually on the basis of the underlying service level agreement.

3.1. It is recommended that the members of the Board of Trustees of commercial foundations be remunerated with a fixed remuneration and that members of a possible executive board be remunerated with a fixed remuneration, possibly combined with a bonus which should not be dependent upon financial results. The remuneration should reflect the work and responsibilities consequential to the position.

The LEO Foundation is in compliance with this recommendation.

Each member of the Board of Trustees receives a fixed annual fee at a reasonable and customary level and is not entitled to any bonus or other type of incentive payments. The Chairman is entitled to free (and taxable) usage of telephone, computer and wireless network, as well as a newspaper subscription.

Remuneration 2016:

Board member, DKK 300,000

Vice Chairman, DKK 600,000

Chairman, DKK 900,000

3.2. It is recommended that the annual report provides information about the full remuneration received by each member of the Board of Trustees and executive board (if relevant) from the commercial foundation and from other enterprises in the group. Furthermore, there should be information on any other remuneration which members of the Board of Trustees, except for employee representatives, have received for performing tasks for the foundation, subsidiaries of the foundation or enterprises in the same group as the foundation.

The LEO Foundation is in compliance with this recommendation.