

Statutory Review on Corporate Governance 2011

This review forms part of TDC's Annual Report 2011, which covers the financial period 1 January – 31 December 2011

Recommendations on Corporate Governance from the Committee on Corporate Governance. August 2011

Recommendation	The company complies with	The company does not comply with	The company complies/does not comply with the recommendation due to the following reason ¹ :
1. The role of the shareholders and their interaction with the management of the company			
<i>1.1. Dialogue between the company and its shareholders</i>			
1.1.1. The Committee recommends 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.	X		The company communicates with its shareholders primarily by way of stock exchange announcements, through the company's website, and at general meetings. On an ongoing basis the shareholders can also communicate their opinions, interests and viewpoints regarding the company by use of e-mail and telephone to the company's investor relations department or to management in conference calls regarding financial statement publications, at investor meetings and conferences in Denmark and abroad.
<i>1.2. Capital and share structure</i>			
1.2.1. The Committee recommends that the central governing body every year evaluate whether the company's capital and share structures	X		The evaluation is included in the company's annual report and is a part of the board of directors' annual work.

¹ According to the Danish Financial Statements Act Section 107b (1) (3), the company must state the reasons for not complying with certain parts of the recommendations. The company is not obliged to explain if a recommendation has been complied with. However, according to the Committee on Corporate Governance, it may be advantageous to do so as it shows what the company is doing to comply with a certain recommendation.

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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.			
1.3. General Meeting			
1.3.1. The Committee recommends that the supreme governing body and the executive board promote active ownership, including shareholders' attendance at general meetings.	X		The company invites its shareholders to participate in general meetings in the notice to convene. The notice is sent to all listed shareholders, published by way of stock exchange announcement, made available on the company's website and in two national newspapers.
1.3.2. The Committee recommends 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.	X		This item is part of the recommendation to the board regarding the general meeting. The board's decision to conduct general meetings by personal attendance is stated in the notice to convene.
1.3.3 The Committee recommends that proxies given to the supreme governing body allow shareholders to consider each individual item on the agenda.	X		The proxies that TDC makes available to its shareholders for use at the company's general meetings make it possible for the shareholders to consider each individual item on the agenda.
1.3.4 The Committee recommends that all members of the supreme governing body and the executive board be present at the general meeting.	X		<p>According to the rules of procedure for the board of directors efforts shall be made to have all board members present at general meetings. The recommendation to the board regarding the general meeting is drafted in accordance herewith as it encourages all board members and members of the executive committee to attend the general meeting unless prevented by unforeseen circumstances.</p> <p>At the annual general meeting in 2011 13 out of 15 board members participated. The two board members absent were each represented by their alternate. All eight members of the executive committee participated.</p>

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1.4. Takeover bids			
1.4.1 The Committee recommends 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.	X		The board of directors will comply with this recommendation in the event of a takeover bid.
1.4.2. The Committee recommends 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.	X		The board of directors will comply with this recommendation in the event of a takeover bid.
2. The role of stakeholders and their importance to the company and the company's corporate social responsibility			
2.1. The company's policy in relation to its stakeholders and corporate social responsibility			
2.1.1. The Committee recommends that the central governing body identify the company's key stakeholders and their main interests in relation to the company.	X		TDC complies with the recommendation through the company's annual strategy process, including TDC's Corporate Social Responsibility strategy that identifies and addresses the interests of TDC's key stakeholders.
2.1.2. The Committee recommends 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.	X		TDC complies with the recommendation through the annual board review and approval of TDC's strategy. The strategy contains TDC's vision, ambition and plans in relation to TDC's stakeholders. In addition the company has an ongoing dialogue with customers, employees, shareholders and relevant authorities. The dialogue with shareholders takes place in conference calls regarding

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			financial statement publications, at investor meetings and conferences in Denmark and abroad.
2.2. Corporate social responsibility			
2.2.1. The Committee recommends that the central governing body adopt a policy on corporate social responsibility.	X		The board of directors has adopted a Corporate Social Responsibility strategy.
3. Openness and transparency			
3.1. Disclosure of information to the market			
3.1.1. The Committee recommends that the central governing body adopt a communication strategy.	X		The board of directors has adopted a communication policy.
3.1.2. The Committee recommends that information from the company to the market be published in both Danish and English.	X		Company announcements, annual and quarterly reports and the information on the company's investor relations website are available in both Danish and English.
3.1.3. The Committee recommends that the company publish quarterly reports.	X		The company complies with this recommendation and publishes its quarterly reports in both Danish and English. The reports are made available on TDC's website, and annual reports are also available in printed form.
4. The tasks and responsibilities of the supreme and the central governing bodies			
4.1. Overall tasks and responsibilities			
4.1.1. The Committee recommends that the central governing body determine the company's overall strategy at least once every year with a view	X		An annual strategy seminar is held for the board of directors. At the seminar the company's general strategy is determined.

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to sustaining value creation in the company.			
4.1.2. The Committee recommends 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.	X		These items are addressed by the board of directors at the strategy seminar.
4.1.3. The Committee recommends 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.	X		The rules of procedure for the board of directors – reviewed annually by the board – provide the guidelines for, among other things, allocation of responsibility, planning and follow ups. The overall goals and strategies are considered and determined at the board of directors’ annual strategy seminar. The board of directors has set up an audit committee to assist the board of directors with the financial control of the company.
4.1.4. The Committee recommends 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.		X	<p>Discussion of diversity at management levels takes place several times a year, for instance in relation to the board of directors’ selection and nomination of candidates to the board of directors and the board of directors’ approval of TDC’s CSR strategy and the objectives for diversity included therein.</p> <p>The board of directors has determined TDC’s CSR objectives, including, among other things, objectives for women in management. The objective is to have 33% women in the Top250 management group in the company by the end of 2015. On the company’s website, the company’s strategies for diversity within for instances woman in management, senior practice, the opportunity of flexible jobs and other types of job with a view to securing diversity have been accounted for.</p> <p>TDC has a majority shareholder that holds more than 50% of the shares, as well as a series of minority shareholders. The majority shareholder selects and nominates candidates for TDC’s board of directors and the candidates are elected solely on the basis of the majority shareholder’s votes. TDC’s ownership structure is among other things the reason why TDC does not</p>

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			<p>comply with this recommendation for the entire board of directors.</p> <p>For the independent board members it is the objective of the board of directors that the proportion of women represents 25% by the end of 2015.</p> <p>Today, the entire board of directors already has an international profile. For that reason, the board of directors has set no objectives for the proportion of board members to have an international profile, other than it is an objective of the board of directors to maintain an international profile.</p> <p>On the company's website, the company's objectives for diversity and the progress made in achieving the objectives are accounted for.</p>
<i>4.2. Rules of procedure</i>			
4.2.1. The Committee recommends 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.	X		The board annually reviews the rules of procedure for the board of directors in order to ensure that the rules are always deemed appropriate for the company's needs.
4.2.2. The Committee recommends 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.	X		The board of directors has approved rules of procedure for the executive committee which the board of directors reviews annually in order to ensure that the rules of procedure always reflect the needs of the company and set out the necessary requirements for reporting to and communicating with the board of directors.
<i>4.3. The chairman and deputy chairman of the supreme governing body</i>			
4.3.1. The Committee recommends that a deputy chairman of the supreme governing body be	X		The chairman and the vice chairman are elected at the constituent board meeting immediately following the annual general meeting.

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appointed, who must be able to act in the chairman's absence and also act as an effective sounding board for the chairman.			
4.3.2. The Committee recommends the preparation of a scope of work and task list specifying the tasks, duties and responsibilities of the chairman and deputy chairman.	X		A list of the specific tasks, duties and responsibilities for the chairman and vice chairman of the board of directors has been prepared and approved by the board of directors.
4.3.3. The Committee recommends 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.	X		The chairman of the board of directors organises, convenes and chairs the board meetings.
4.3.4. The Committee recommends 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.	X		At this time the board of directors has not requested the chairman of the board to carry out special tasks for the company. In the event that the board of directors at a later stage feels induced to request its chairman to carry out such special tasks, this will be done in accordance with this recommendation.

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5. Composition and organisation of the supreme governing body			
<i>5.1. Composition</i>			
5.1.1. The Committee recommends 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.	X		The board of directors has prepared a competency profile, which is published on the company's website and which will be reviewed annually. The proposal to the general meeting for the composition of the board of directors will be prepared in the light of the competency profile.
5.1.2. The Committee recommends 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.		X	<p>The board of directors has set up a nomination committee and the recommendation will be followed with regard to independent board members. Among other things, TDC has adopted "Operation Kædereaktion" (in English, "Operation Chain Reaction") – an initiative made by the Danish Minister for Gender Equality to increase the number of female executives, including female board members, and the Charter for more women in management by the Danish Minister for Gender Equality .</p> <p>TDC has a majority shareholder that holds more than 50% of the shares, as well as a series of minority shareholders. The majority shareholder selects and nominates candidates for TDC's board of directors and the candidates are elected solely on the basis of the majority shareholder's votes. TDC's ownership structure is the reason why TDC does not fully comply with the recommendation regarding a formal, thorough and transparent (to the board members) process for the selection and nomination of candidates for the board of directors. When assessing the board of directors' composition and nominating new candidates to the board of directors, the majority shareholder seeks to ensure that the need for new talent and diversity is taken into account to the fullest possible extent.</p>

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5.1.3. The Committee recommends 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.	X		A description of the nominated candidates is distributed together with the notice to convene. The description is also made available on the company's website.
5.1.4. The Committee recommends 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.	X		This is included in the annual report.
<i>5.2. Training of members of the supreme governing body</i>			
5.2.1. The Committee recommends that new members joining the supreme governing body be given an introduction to the company.	X		New members of the board of directors participate in an introductory programme and are thoroughly briefed on the company's business areas and key employees.
5.2.2. The Committee recommends that the supreme governing body annually assess whether the skills and expertise of its members need to be updated.	X		The assessment whether there are areas within which the skills and expertise of the board members ought to be updated is part of the annual self-evaluation of the board of directors.
<i>5.3. Number of members of the supreme governing body</i>			
5.3.1. The Committee recommends that the supreme governing body have only so many	X		The board of directors consists of 11 board members elected by the general meeting and 4 board members elected by the employees. The board of

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members as to allow a constructive debate and an effective decision-making process enabling all members to play an active role.			directors considers this number of board members to be appropriate for a company the size, complexity and ownership structure of TDC in order to ensure a constructive debate and an effective decision-making process.
5.3.2. The Committee recommends 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.	X		This item is included in the board recommendation regarding the general meeting.
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 recommends that at least half of the members elected by the general meeting be independent persons.</p> <p>The independent supreme governing body member may not:</p> <ul style="list-style-type: none"> • be, or have been within the last five years, a member of the executive board/managerial staff of the company or an associated company, • 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, • represent the interests of a controlling shareholder, • within the last year, have had a material 	X		Of the 11 board members elected by the general meeting six board members are independent and five board members are non-independent.

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<p>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,</p> <ul style="list-style-type: none"> • be, or have been within the last three years, an employee or partner of the external audit firm, • hold cross-memberships of governing bodies, • have been a member of the supreme governing body for more than 12 years, or • have close family ties with persons that are not regarded as independent persons. 			
<p>5.4.2. The Committee recommends 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.</p>	X		<p>This appears from TDC's website and the company's annual report. The notice to convene states if new candidates for the board of directors are regarded as independent.</p>
<p><i>5.5. Members of the supreme governing body elected by the employees</i></p>			
<p>5.5.1. The Committee recommends 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.</p>	X		<p>Such explanation is available on the company's website.</p>

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<i>5.6. Meeting frequency</i>			
5.6.1. The Committee recommends 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.	X		The schedule of meetings for the board of directors is prepared for two years at a time approximately six months prior to the beginning of the first meeting year. In general, nine board meetings are scheduled each year. In addition, a number of extraordinary board meetings are held as well as a seminar on strategy. Information on the frequency of meetings is included in the annual report.
<i>5.7. Expected time commitment and the number of other executive functions</i>			
5.7.1. The Committee recommends 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.	X		Board members are encouraged to make such assessment when nominated to the board of directors, as well as on an ongoing basis.
5.7.2. The Committee recommends that the annual report contain the following information about the members of the supreme governing body: <ul style="list-style-type: none"> • 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 	X		The annual report contains such information.

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changes in such holdings during the financial year.			
5.8. Retirement age			
5.8.1. The Committee recommends 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.	X		It appears from the company's articles of association and also from the rules of procedure for the board of directors that board members must, at the latest, resign from the board of directors at the first annual general meeting following the board member turning 70 years of age. Information on retirement age and the age of the board members is included in the annual report.
5.9. Election period			
5.9.1. The Committee recommends that members of the supreme governing body elected by the general meeting be up for re-election every year at the annual general meeting.	X		All board members are up for election each year.
5.9.2. The Committee recommends that the annual report state when the individual member of the supreme governing body joined the body, whether the member was re-elected and when the current election period expires.	X		The annual report contains information regarding the board members' term of office.
5.10. Board committees			
5.10.1. The Committee recommends that the company publish the following information in the management commentary in its annual report or on the company's website: <ul style="list-style-type: none"> the terms of reference for the board 	X		The terms of reference for the board committees and the other pieces of information recommended are published on the company's website. Some of the pieces of information are also included in the annual report.

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<p>committees,</p> <ul style="list-style-type: none"> • 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. 			
<p>5.10.2. The Committee recommends that a majority of the members of a board committee be independent members.</p>		X	<p>TDC has a majority shareholder that holds more than 50% of the shares, as well as a series of minority shareholders. The ownership structure affects the composition of TDC's board of directors and thereby also the composition of the board committees, and thus the ownership structure is the reason why TDC does not in all three board committees comply with the recommendation that a majority of the board committee members are independent. The majority of the committee members in the compensation and nomination committees are independent. Half the members of the audit committee are independent.</p>
<p>5.10.3. The Committee recommends that the supreme governing body establish an actual <u>audit committee</u>.</p>	X		<p>The board of directors as set up an audit committee with a solely preparatory purpose.</p>
<p>5.10.4. The Committee recommends that the following be taken into account in composing the audit committee:</p> <ul style="list-style-type: none"> • the chairman of the supreme governing body should not be chairman of the audit committee, and • 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, 	X		<p>TDC complies with this recommendation.</p>

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accounting and audit conditions of companies whose shares are admitted to trading on a regulated market.			
<p>5.10.5. The Committee recommends 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"> • significant accounting policies • significant accounting estimates, • related party transactions, and • uncertainties and risks, including in relation to the outlook. 	X		The audit committee monitors the financial reporting in cooperation with the company's auditor, and reports to the board of directors.
<p>5.10.6. The Committee recommends that the audit committee:</p> <ul style="list-style-type: none"> • annually consider whether there is a need for an internal audit function, and if so, • formulate 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. 	X		The audit committee annually considers the need for an internal audit function and recommends in accordance with recommendation 9.2. to the board of directors whether to establish an internal audit function.
<p>5.10.7. The Committee recommends that the supreme governing body establish a <u>nomination committee</u> with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> • describe the qualifications required in the two governing bodies and for a given position, state the expected time 	X		The board of directors has set up a nomination committee with a solely preparatory purpose. The tasks recommended are contained in the mandate and charter for the nomination committee.

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<p>commitment for a position and evaluate the balance of skills, knowledge and experience available in the two governing bodies.</p> <ul style="list-style-type: none"> • 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, • annually evaluate the skills, knowledge and experience of the individual members of the governing bodies and report such details to the supreme governing body, • consider proposals submitted by relevant persons, including shareholders and members of the governing bodies, for candidates for executive positions, and identify and recommend to the supreme governing body candidates for the governing bodies. 			
<p>5.10.8. The Committee recommends that the supreme governing body establish a <u>remuneration committee</u> with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> • 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, 		X	<p>The board of directors has set up a compensation committee. The compensation committee determines the remuneration and other employment terms for members of the executive committee and board members, and annually approves the overall principals for the group's bonus and other short- or long-term incentive or retention programmes. The board of directors considers it appropriate for the compensation committee to have this limited decision making competence, especially in the light of the work related to the implementation of TDC's new remuneration policy adopted in 2011. The compensation committee reports on an ongoing basis to the entire board of directors.</p>

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<ul style="list-style-type: none"> • 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 • 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. 			
5.10.9. The Committee recommends that the remuneration committee do not consult with the same external advisers as the executive board of the company.	X		The compensation committee and the executive committee do not consult with the same external advisers.
<i>5.11. Evaluation of the performance of the supreme governing body and the executive board</i>			
5.11.1. The Committee recommends 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.	X		In 2011, the board of directors has completed a self-evaluation which, among other things, has included an evaluation of the performance and achievements of the board of directors, the individual board members and the chairman as well as an evaluation of the composition of the board of directors.
5.11.2. The Committee recommends 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	X		TDC complies with this recommendation.

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the details of the procedure of self-evaluation and the outcome be disclosed in the annual report.			
5.11.3. The Committee recommends 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.	X		The board of directors continually evaluates the work of the executive committee by specifying targets and assessing as to what level or degree such targets have been met.
5.11.4. The Committee recommends 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.	X		The cooperation between the board of directors and the executive committee is evaluated on an ongoing basis at meetings held between the CEO and the chairman of the board of directors. A formal evaluation of the cooperation is made annually and presented to the board of directors.
6. Remuneration of governing body members			
<i>6.1. Content and form of the remuneration policy</i>			
6.1.1. The Committee recommends that the supreme governing body adopt a remuneration policy applicable to the supreme governing body and the executive board.	X		The board of directors has adopted a remuneration policy applicable to the board of directors and the executive board.
6.1.2. The Committee recommends that the remuneration policy and any changes to the policy be approved by the general meeting of the company.	X		The remuneration policy was latest approved by the annual general meeting 2011. Any changes to the remuneration policy will be presented to the general meeting for approval.
6.1.3. Committee recommends that the	X		The remuneration policy includes a thorough description of the components of

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remuneration policy include a thorough description of the components of the remuneration for members of the supreme governing body and the executive board.			remuneration for the board of directors and the executive committee.
<p>6.1.4. The Committee recommends that the remuneration policy include:</p> <ul style="list-style-type: none"> • 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. 	X		<p>According to the remuneration policy the board of directors is only paid cash compensation to avoid conflicts of interest in connection with the conclusion of agreements on and the calculation of performance-related remuneration.</p> <p>The remuneration of the executive committee is composed of a fixed compensation, pension contributions, company car as well as short and long-term performance related pay elements. The fixed pay elements shall be at an attractive level, but not too high because there should still be a strong incentive for achieving a higher total pay by obtaining the desired results.</p> <p>The composition of the compensation elements is based on the need for both results in the individual financial year and for a long-term sound development of the company.</p>
<p>6.1.5. 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 term, • there be clarity about performance criteria and measurability for award of variable components, and • there be criteria ensuring that vesting periods for variable components of remuneration agreements are longer than 	X		The remuneration policy complies with this recommendation.

Recommendation	The company complies with	The company does not comply with	The company complies/does not comply with the recommendation due to the following reason ¹ :
one calendar year.			
6.1.6. The Committee recommends that remuneration of members of the supreme governing body do not include share or warrant programmes.	X		The board of directors receives fixed fees and has no incentive scheme.
6.1.7. The Committee recommends 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.	X		The remuneration policy complies with this recommendation.
6.1.8. The Committee recommends 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.	X		Executive committee agreements on variable components of remuneration contain such right to, in exceptional cases, reclaim in full or in part variable components of remuneration.
6.1.9. The Committee recommends that termination payments should not amount to more than two years' annual remuneration.	X		No agreements have been made or will be made on termination payments that amount to more than two years' annual remuneration.
<i>6.2. Disclosure of the remuneration policy</i>			
6.2.1. The Committee recommends that the remuneration policy be clear and easily understandable and that it be disclosed in the annual report and posted on the company's	X		The remuneration policy is mentioned in the annual report and published on the company's website.

Recommendation	The company complies with	The company does not comply with	The company complies/does not comply with the recommendation due to the following reason ¹ :
website.			
6.2.2. The Committee recommends that the company's remuneration policy and compliance with this policy be explained and justified in the chairman's statement at the company's general meeting.	X		The remuneration policy and compliance with this policy is explained and justified in the chairman's statement at the company's general meeting.
6.2.3. The Committee recommends 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.		X	TDC's annual report includes details of the aggregated remuneration provided by the company to the CEO and CFO respectively as well as the aggregated remuneration provided to the rest of the executive committee. This information is considered adequate. Furthermore, the annual report contains information about the aggregated remuneration that each board member receives from the company. The linkage between the company's remuneration to management and the company's remuneration policy is accounted for in the annual report.
6.2.4. The Committee recommends 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.	X		The remuneration packages provided to members of the board of directors and the executive committee do not include defined benefit pension schemes.
6.2.5. The Committee recommends that the most important aspects of retention and severance programmes be disclosed in the company's annual report.	X		The annual report includes details on the severance and retention packages of the executive committee. The retention packages are structured as Long Term Incentives (Performance Share Programme and Deferred Annual Bonus) resulting in a possible loss of share remuneration in the event of a notice to quit ("bad leaver").
6.2.6. The Committee recommends that the proposal for remuneration of the supreme governing body for the current financial year be approved by the shareholders at the general	X		At the annual general meeting remuneration of the board of directors for the current year is approved.

Recommendation	The company complies with	The company does not comply with	The company complies/does not comply with the recommendation due to the following reason ¹ :
meeting.			
7. Financial reporting			
<i>7.1. Other relevant information</i>			
7.1.1. The Committee recommends 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.	X		The company complies with this recommendation.
<i>7.2. The going concern assumption</i>			
7.2.1. The Committee recommends 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.	X		On the basis of a statement presented by TDC's CFO at the board meeting at which the annual report is up for approval, the company's board of directors formally decides whether the report has been prepared based on a going concern assumption.
8. Risk management and internal control			
<i>8.1. Identification of risks</i>			
8.1.1. The Committee recommends 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.	X		<p>Annually, the board of directors identifies and discusses the material business risks.</p> <p>Risks in relation to the financial reporting are evaluated on an ongoing basis by the audit committee. The audit committee reports to the board of directors.</p> <p>IT systems, financial and insurable risks are systematically monitored by the company. Compliance programs and risk management schemes exist in most</p>

Recommendation	The company complies with	The company does not comply with	The company complies/does not comply with the recommendation due to the following reason ¹ :
			of the said areas.
8.1.2. The Committee recommends 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.	X		Reference is made to recommendation 8.1.1.
8.2. Whistleblowing			
8.2.1. The Committee recommends that the supreme governing body decide whether to establish a whistleblowing scheme for expedient and confidential notification of possible or suspected wrongdoing.	X		The board of directors has adopted a whistleblower scheme. Notifications of possible or suspected serious financial wrongdoings in the company are a matter of the audit committee. Notifications of other wrongdoings in the company are a matter of the chairman of the board of directors.
8.3. Openness about risk management			
8.3.1. The Committee recommends that the management commentary in the annual report include information about the company's management of business risks.	X		Information about the management of business risks is included in the annual report.
9. Audit			
9.1. Contact to auditor			
9.1.1. The Committee recommends that the supreme governing body maintain a regular dialogue and exchange of information with the	X		The board of directors has regular correspondence with the company's auditor.

Recommendation	The company complies with	The company does not comply with	The company complies/does not comply with the recommendation due to the following reason ¹ :
auditor.			
9.1.2. The Committee recommends 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.	X		This recommendation is complied with.
9.1.3. The Committee recommends 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 any.	X		The board of directors and the audit committee conduct at least one annual meeting with the auditor, where the executive committee is not present.
<i>9.2. Internal audit</i>			
9.2.1. The Committee recommends 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.	X		The board of directors annually assesses the need for an internal audit based on a recommendation from the audit committee. The reasons for the board of directors' decision are included in the annual report.

Statutory Review on Corporate Governance 2011

This review forms part of TDC's Annual Report 2011, which covers the financial period 1 January – 31 December 2011

Guidelines from DVCA² for responsible ownership and good corporate governance in private equity funds in Denmark, June 2011

Recommendation	The company complies with	The company does not comply with	The company complies/does not comply with the recommendation due to the following reason ³ :
Annual Report in general			
The Association recommends that the management commentary state that the company's owner and thereby also the company are covered by DVCA's guidelines. Further, the Association recommends that reference be made to DVCA's website, where these guidelines can be found.	X		This information is included in the annual report.
The audited annual report is to be made available on the company's website immediately after publication.	X		TDC complies with this recommendation.
1. Operational and financial developments			
The report on financial developments is to include a presentation of revenue and earnings broken down	X		TDC complies with this recommendation.

² Danish Venture Capital and Private Equity Association

³ According to the Danish Financial Statements Act Section 107b (1) (5) ref. (3) the company must state the reasons for not complying with certain parts of the recommendations.

Recommendation	The company complies with	The company does not comply with	The company complies/does not comply with the recommendation due to the following reason ³ :
by principal business segments, together with a general assessment in the light of the established strategy.			
The management commentary is also to include a description of the company's expected revenue and earnings performance and of any significant changes in the established strategy.	X		TDC complies with this recommendation.
2. Corporate governance			
<i>2.1 The company's corporate social responsibility</i>			
a. The Association recommends that the central governing body adopt a policy on corporate social responsibility.	X		The board of directors has adopted a Corporate Social Responsibility strategy.
<i>2.2 Tasks, composition and organisation of the supreme governing body</i>			
b. The Association recommends that the annual report include the following information regarding the members of the supreme governing body: <ul style="list-style-type: none"> • Which private equity fund owns the company and the size of its holding. • Who nominated the individual members. • 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 organizational tasks. • The work of the supreme governing body 	X		This information is included in the annual report. Referring to dot no. 2, it appears from the CV's of the board members elected by the general meeting, included in the annual report, whether they have been nominated by NTCH G.P. & Cie S.C.A. The annual report includes information regarding the amount of shares held by the board of directors and the executive committee (collectively), irrespectively of these not exceeding 5% on the balance sheet for either group (dot no. 6).

Recommendation	The company complies with	The company does not comply with	The company complies/does not comply with the recommendation due to the following reason ³ :
<p>(number of board meetings, the use of sub-committees).</p> <ul style="list-style-type: none"> • Shares held directly by the supreme governing body (collectively) and the executive board (collectively) if they exceed 5% on the balance sheet date. 			
<p>c. The Association recommends 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.</p>	X		Such an explanation is available on the company's website.
2.3 Audit committee			
<p>d. The Association recommends that the supreme governing body establish an audit committee and thereby comply with section 31 (2) of the Accounting Act.</p>	X		The board of directors has set up an audit committee.
<p>e. The Association recommends that, when composing the audit committee, it is taken into account that, 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 audit conditions of similar companies.</p>	X		TDC complies with this recommendation.
<p>f. The Association recommends that, prior to the approval of the annual report and other financial reports, the audit committee monitor and report to</p>	X		The audit committee monitors the financial reporting in cooperation with the company's auditor and reports to the board of directors.

Recommendation	The company complies with	The company does not comply with	The company complies/does not comply with the recommendation due to the following reason ³ :
the supreme governing body regarding: <ul style="list-style-type: none"> • Significant accounting policies. • Significant accounting estimates. • Related party transactions. • Uncertainties and risks, including in relation to the outlook. • Going concern. 			
g. The Association recommends that the audit committee: <ul style="list-style-type: none"> • Annually consider whether there is a need for an internal audit function, and if so, formulate recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function. • Monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function. 	X		The audit committee annually considers the need for an internal audit function and recommends to the board of directors whether to establish an internal audit function.
2.4 Risk management and internal control			
h. The Association recommends 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 risks associated with financial reporting.	X		Annually, the board of directors identifies and discusses the material business risks. Risks in relation to the financial reporting are evaluated on an ongoing basis by the audit committee. The audit committee reports to the board of directors. IT resources, financial and insurable risks are systematically monitored by the company. Compliance programs and risk management schemes exist in most of the said areas.
i. The Association recommends that the executive	X		Reference is made to recommendation 8.1.1.

Recommendation	The company complies with	The company does not comply with	The company complies/does not comply with the recommendation due to the following reason ³ :
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 decision.			
2.4.1 Openess about risk management			
j. The Association recommends that, in the management commentary, the company - in conformity with listed companies - describe the company's internal control and risk management systems in connection with the financial reporting process.	X		In accordance with the provisions of the Danish Financial Statements Act regarding listed companies, TDC has decided to publish a description of the company's internal control and risk management systems in connection with the financial reporting process on the website. In the annual report it is stated that the description appears on the company's website.
k. The Association recommends that, as a supplement to the above description in the management commentary, the company provide information on the company's internal control and risk management systems regarding business risks.	X		This information is included in the annual report.
3. Financial and other risks			
The report is to have a particular focus on financial risks associated with the chosen capital structure. Where relevant to the company, the management commentary should also contain information on internal and external business risks linked to markets, suppliers, technological development and other matters.	X		This information is included in the annual report.

Recommendation	The company complies with	The company does not comply with	The company complies/does not comply with the recommendation due to the following reason ³ :
4. Employee matters			
<p>The report is to cover employee turnover (gross terminations, gross recruitment, number of employees at beginning and end of year. The numbers are to be broken down by Denmark and the rest of the world). Other matters of significance to the employees must be accounted for, too.</p>	X		This information is included in the annual report.
Companies delisted in connection with a transaction			
<p>To ensure that the flow of information to the company's shareholders while it was listed in the form of interim and annual reports in accordance with the rules of NASDAQ OMX Copenhagen does not deteriorate as an immediate consequence of the private equity fund's takeover and delisting of the company, the company's initial semi-annual and annual reports are to provide the same level of information as when the company was listed.</p> <p>After this period, the company is to prepare a semi-annual report (without detailed financial information) that describes whether the company is pursuing the general aims published in the annual report for the previous year. This report is to be made available on the company's website within three months of the end of the period.</p>			<p>NA</p> <p>TDC continues to be listed at NASDAQ OMX Copenhagen.</p>