



**STATUTORY REPORT ON  
CORPORATE GOVERNANCE  
ACCORDING TO SECTION 107B OF  
THE DANISH FINANCIAL STATEMENTS ACT**




## CORPORATE GOVERNANCE

FINANCIAL PERIOD:  
1 OCTOBER 2018 - 30 SEPTEMBER 2019

**RTX**  
WIRELESS WISDOM

# Contents

Preface	3
1. Communication and interaction by the company with its investors and other stakeholders	5
2. Tasks and responsibilities of the Board of Directors	7
3. Composition and organization of the Board of Directors	9
4. Remuneration of Management	17
5. Financial reporting, risk management and audits	20

-  The company complies with the recommendations
-  The company partially complies with the recommendations
-  The company does not comply with the recommendations

---

## Statutory report on corporate governance 2018/19

---

The company complies with the recommendations	41
The company partially complies with the recommendations	6
The company does not comply with the recommendations	0

---

### NOTE

The report is partly included in the management review of the company's Annual Report for the financial period October 2018 to September 2019.

## PREFACE

# Corporate Governance at RTX

RTX aims to ensure a transparent and accountable management of the company through a solid corporate governance framework. This statutory report is made cf. section 107b of the Danish Financial Statements Act and covers the financial year 2018/19 (1 October 2018 to 30 September 2019).

## RECOMMENDATIONS ON CORPORATE GOVERNANCE

As a listed company, RTX A/S is comprised by the Corporate Governance Principles and pursuant to section 107b of the Danish Financial Statements Act and clause 4.1 of "Rules for issuers of shares – Nasdaq Copenhagen" (1 July 2019), listed companies must, based on the "comply or explain" principle, state their position to the Danish Recommendations on Corporate Governance issued by the Danish Committee on Corporate Governance. The applicable recommendations were issued on 23 November 2017 as an update to the previous recommendations. The financial year 2018/19 is the first time RTX reports according to the updated guidelines as these were applicable only for financial years starting after 1 January 2018. The recommendations of the Danish Committee on Corporate Governance are available on the website of the committee at [www.corporategovernance.dk](http://www.corporategovernance.dk).

RTX's position with respect to each of the recommendations is described in this statutory report. During 2018/19, the newly established Audit Committee was fully operational. The Audit Committee's work further strengthens the internal control and risk management system. Further, the Board of Directors initiated the drafting of a new remuneration

policy for adoption at the Annual General Meeting in January 2020 in accordance with the Directive (EU) 2017/828 of 17 May 2017 amending the Directive 2007/36/EC of 11 July 2007 on the exercise of certain rights of shareholders in listed companies. RTX is implementing these amended regulations one year earlier than required.

In a very limited number of areas the Board of Directors has considered that the limited complexity of RTX's business does not justify full compliance with the recommendations or that the ongoing work to update policies in accordance with new regulations, but one year earlier than required, means that compliance with a few recommendations is not full until such update is complete (which will be the case by next year's reporting). Consequently, RTX is fully compliant on 41 out of the 47 recommendations in 2018/19 and partially compliant on the remaining 6 recommendations.

## GOVERNANCE STRUCTURE

RTX's shareholders possess the authority over the Company and may exercise their rights to make decisions at the annual general meetings. As mandatory items at the annual general meetings, shareholders review and approve the financial report for the year, elect the board members



**"The Board of Directors continuously assesses our governance framework and the guidelines for the Executive Board of RTX to ensure the basis for operating and developing RTX in a compliant, responsible and transparent way"**

**PETER THOSTRUP**  
Chairman of the Board

as well as the independent auditors, based on recommendations from the Board of Directors. Further, in case of any potential changes to the Articles of Association, the annual general meeting will act as the supreme body of authority.

RTX has decided to base its corporate governance framework on a two-tier system in which the Board of Directors and Group Executive Management have two distinct roles. Group Executive Management is responsible for the operational and tactical management of the company, while the Board of Directors controls the Executive Board and Group Executive Management and defines the overall strategy and objectives in close collaboration with Group Executive Management.

### INTERNAL CONTROLS

RTX has established internal control system and risk management systems to eliminate, mitigate or substantially reduce the risk of significant errors or omissions in the presentation of the accounts and to ensure that the internal and external financial reporting gives a true and fair view without significant misinformation. On an ongoing basis, the Audit Committee and Group Executive Management

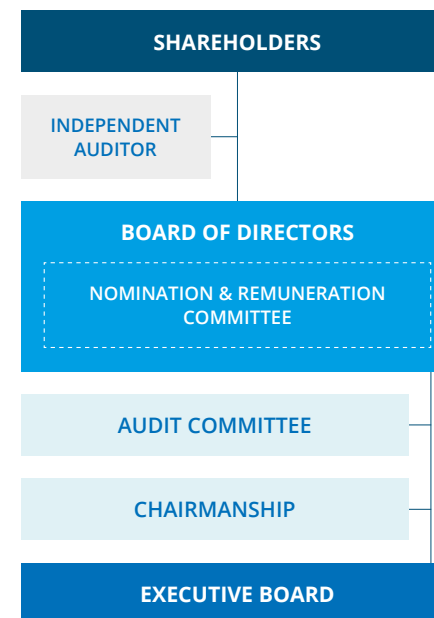
consider major risks and internal controls in connection with the Group's activities and their impact on the accounting and financial reporting processes.

On behalf of the Board of Directors, the Audit Committee monitors the presentation of accounts and annual financial statements as well as the sufficiency and efficiency of the internal controls including financial reporting standards, accounting principles and significant accounting estimates on an ongoing basis.




The internal controls at RTX primarily consist of an organization with clearly defined roles supporting an efficient and relevant allocation of responsibilities, from an internal control perspective, and secondly of specific control activities intended to identify and reduce the risk for errors in the accounting. The control activities are based on an estimation of risk and significance. Further, monthly business reviews and controlling meetings are held.




As part of the control and risk management systems, RTX has established a whistleblower reporting function for confidential notification of possible suspected wrongdoing.

## RTX GOVERNANCE MODEL








# 1. Communication and Interaction by the Company with its Investors and other Stakeholders

RECOMMENDATION	COMPLIANCE	COMMENT
<p><b>1.1. DIALOGUE BETWEEN COMPANY, SHAREHOLDERS AND OTHER STAKEHOLDERS</b></p>		
<p>1.1.1. The Committee <b>recommends</b> 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 respect to the company.</p>		<p>RTX continuously conducts an open and active dialogue with current and potential shareholders, analysts as well as other interested parties about the company's business development and financial position.</p> <p><b>ANNUAL GENERAL MEETING:</b> RTX invites investors to express their opinions at the annual general meeting either by addressing questions beforehand or by asking questions at the assembly as well as by voting.</p> <p><b>FINANCIAL REPORTING:</b> Upon announcement of the quarterly financial results, RTX's Executive Board presents the results and main events from the previous quarter. At these presentations it is possible for shareholders and analysts to ask questions directly to the Executive Board.</p> <p><b>COMPANY ANNOUNCEMENTS:</b> All company announcements are in English and Danish and are reported to Nasdaq Copenhagen and made available on <a href="http://www.rtx.dk">www.rtx.dk</a>.</p>
<p>1.1.2. The Committee <b>recommends</b> that the board of directors adopts policies on the company's relationship with its stakeholders, including shareholders, and that the board of directors ensures that the interests of the stakeholders are respected in accordance with company policies.</p>		<p>RTX strives to maintain good relations to the company's key stakeholders, as this is considered very important to the company.</p> <p>The company's IR policy is published on <a href="http://www.rtx.dk">www.rtx.dk</a></p>
<p>1.1.3. The Committee <b>recommends</b> that the company publish quarterly reports</p>		<p>RTX publishes quarterly financial results at <a href="http://www.rtx.dk">www.rtx.dk</a> and reports these to Nasdaq Copenhagen.</p>

RECOMMENDATION	COMPLIANCE	COMMENT
<b>1.2. GENERAL MEETING</b>		
1.2.1. The Committee <b>recommends</b> that in organising the company's general meeting, the board of directors plans the meeting to support active ownership.		<p>The date of the annual general meeting is announced with the financial calendar for the coming financial year. The date of the next annual general meeting including the deadline for submission of items to be included on the agenda was announced on 6 September 2019.</p> <p>In order to promote active ownership, the Board of Directors recommends that voting shareholders exercise their voting rights at the annual general meeting and if unable to attend voting can be done via proxies as per 1.2.2 below.</p>
1.2.2. The Committee <b>recommends</b> that proxies or votes by post for the general meeting allow shareholders to consider each individual item on the agenda.		<p>Proxies to the Board of Directors are given for one annual general meeting at a time.</p> <p>The shareholder will have the possibility to take a position on each item on the agenda on the proxies that RTX employs.</p>
<b>1.3. TAKEOVER BIDS</b>		
1.3.1. The Committee <b>recommends</b> 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.		The Board of Directors' opinion is in accordance with the recommendation should the situation occur.

## 2. Tasks and Responsibilities of the Board of Directors





RECOMMENDATION	COMPLIANCE	COMMENT
<b>2.1. OVERALL TASKS AND RESPONSIBILITIES</b>		
2.1.1. The Committee <b>recommends</b> that at least once annually the board of directors consider the matters that should be included in the board's performance of its work.		On an annual basis, the rules of procedure defined by the Board of Directors is considered/adjusted (if necessary) by the Chairmanship.
2.1.2. The Committee <b>recommends</b> 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.		As part of the work in the board during the year, an annual strategy seminar is held with the Board of Directors and Group Executive Management to discuss and adjust the overall strategic direction in relation to market developments in order to secure the continued basis for long-term value creation.
2.1.3. The Committee <b>recommends</b> 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 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 ongoing basis, the Board of Directors considers if the capital and share structure support the company's strategic direction and the long-term value creation. Such considerations are reflected and presented in the "Share Information" section in the annual report.  During the period, RTX has carried out a share repurchase programme and paid dividend to the company's shareholders and thereby actively adjusted the capital and share structure of the company.
2.1.4. The Committee <b>recommends</b> that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board's reporting to the board of directors.		At least once a year the Chairmanship evaluates the rules of procedure for the Executive Board. These rules of procedure include among other the requirements to reporting and communication by the Executive Board to the Board of Directors.
2.1.5. The Committee <b>recommends</b> that at least once annually, the board of directors discuss the composition, developments, risks and succession plans of the executive board.		The Board of Directors comply with the recommendation.

RECOMMENDATION	COMPLIANCE	COMMENT
<b>2.2. CORPORATE SOCIAL RESPONSIBILITY</b>		
2.2.1. The Committee <b>recommends</b> that the board of directors adopt policies on corporate social responsibility.		<p>For many years, the Board of Directors and Group Executive Management have been aware of the importance of the company's relations to its stakeholders and of managing these. In the annual reporting the CSR focus areas and initiatives are described as well as the cooperation with suppliers and major customers. This is based on a materiality assessment of relevant CSR issues. In 2013/14, RTX adopted the UN's Global Compact and thus publishes a "Communication of Progress" (COP) report. The COP report is published annually and is available at <a href="http://www.rtx.dk">www.rtx.dk</a>.</p> <p>The company has defined policies for its staff including a policy for social responsibility.</p>
<b>2.3. CHAIRMAN AND VICE-CHAIRMAN OF THE BOARD OF DIRECTORS</b>		
2.3.1. The Committee <b>recommends</b> 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.		The Board of Directors has elected a Deputy Chairman (Vice Chairman). The rules of procedure include an overall description of the tasks, duties and responsibilities of the Chairman and Deputy Chairman.
2.3.2. The Committee <b>recommends</b> 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 thereof should be publicly announced.		The Board of Directors' opinion is in accordance with the recommendation.



# 3. Composition and Organization of the Board of Directors

RECOMMENDATION	COMPLIANCE	COMMENT
<b>3.1. COMPOSITION</b>		
<p>3.1.1. The Committee <b>recommends</b> that the board of directors annually evaluate and in the management commentary, account for:</p> <ul style="list-style-type: none"> <li>• the competencies that it must have to best perform its tasks;</li> <li>• the composition of the board of directors; and</li> <li>• the special competencies of each member.</li> </ul>		<p>In its Annual Report the company has listed the composition of the Board of Directors and the Executive Board and the directorships and competencies of each member of the Board of Directors.</p>
<p>3.1.2. The Committee <b>recommends</b> 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>RTX's staff policy includes a purpose to attract and retain highly qualified and motivated employees. In relation to employment and recruitment, RTX strives to have a reasonable split between male and female candidates, despite the fact that the company operates in an industry with primarily male candidates. RTX realizes that the present share of women among our engineering staff may be too low to ensure a pipeline of future female candidates for the management in RTX. In our recruitment process RTX encourages qualified female applicants to apply for vacant positions as they arise. In addition, the company seeks to ensure international and age diversity as the company is of the opinion that diversity generates the best results in the organization.</p> <p>RTX's policy and objectives for diversity is further explained in its annual COP report.</p>

RECOMMENDATION	COMPLIANCE	COMMENT
<p>3.1.3. The Committee <b>recommends</b> that the selection and nomination of candidates for the board of directors be carried out through a thorough 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>On an ongoing basis, the Board of Directors discusses required competencies and act upon the assessment. In relation to the election of board members at the annual general meeting each candidate's competence profile is presented including international experience, age and gender.</p>
<p>3.1.4. The Committee <b>recommends</b> 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"> <li>• other executive functions, including positions on executive boards, boards of directors and supervisory boards, including board committees, in Danish and foreign enterprises; and</li> <li>• demanding organisational tasks.</li> </ul> <p>Furthermore, it should be indicated if the candidates for the board of directors are considered independent.</p>		<p>The Board of Directors must have joined competencies within: international management including knowledge of managing technological companies. Besides, the board must have knowledge of international business activities, business-to-business sales and accounting and finance.</p> <p>The Board of Directors motivates and describes the candidates' qualifications and other executive functions in the notice to the annual general meeting.</p>
<p>3.1.5. The Committee <b>recommends</b> that members of the company's executive board be not members of the board of directors and that a resigning chief executive officer be not directly elected as chairman or vice chairman for the same company.</p>		<p>The Board of Directors' opinion is in accordance with the recommendation should the situation occur.</p>
<p>3.1.6. The Committee <b>recommends</b> that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.</p>		<p>In accordance with the company's Articles of Association (11.3) Members of the Board of Directors are elected at the annual general meeting for one year at a time.</p>

---

**RECOMMENDATION****COMPLIANCE****COMMENT**

---

**3.2. INDEPENDENCE OF THE BOARD OF DIRECTORS**

3.2.1. The Committee **recommends** that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests.

To be considered independent, this person may not:

- 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;
- 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.

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.





At present all members of the Board of Directors elected by the annual general meeting are considered independent.

In connection with the presentation of the candidates for the election at the annual general meeting, it will be indicated if the candidate is considered independent.

RECOMMENDATION	COMPLIANCE	COMMENT
<b>3.3. MEMBERS OF THE BOARD OF DIRECTORS AND THE NUMBER OF OTHER MANAGEMENT FUNCTIONS</b>		
3.3.1. The Committee <b>recommends</b> 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 he/she can complete at a satisfactory level for the company.		RTX is of the belief that each member of the Board of Directors is capable of estimating his/her own time, so the necessary time for work of high quality in the board is allocated to RTX. RTX also believes that this assessment is evident from the list of other directorships of each of the board members.
3.3.2. The Committee <b>recommends</b> 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: <ul style="list-style-type: none"> <li>• the position of the relevant person;</li> <li>• the age and gender of the person in question;</li> <li>• the person's competencies and qualifications that are relevant to the company;</li> <li>• whether the member is considered independent;</li> <li>• the member's date of appointment to the board of directors;</li> <li>• expiry of the current election term;</li> <li>• the member's participation in the meetings on the board of directors and committee meetings;</li> <li>• 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</li> <li>• 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 member's portfolio of the mentioned securities which have occurred during the financial year.</li> </ul>		The annual report includes the information in question for all members of the Board of Directors.
3.3.3. The Committee <b>recommends</b> 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.		

RECOMMENDATION	COMPLIANCE	COMMENT
<b>3.4. BOARD COMMITTEES</b>		
<p>3.4.1. The Committee <b>recommends</b> that the company publish the following on the company's website:</p> <ul style="list-style-type: none"> <li>• the terms of reference of the board committees;</li> <li>• the most important activities of the committees during the year and the number of meetings held by each committee; and</li> <li>• the names of the members of each committee, including the chairmen of the committees, as well as information regarding which members are independent members and which members have special competencies.</li> </ul>		<p>Terms of reference for the audit committee is published on the company's website. Description of the activities and members of the committee is published in the annual report in the section on "Corporate Governance".</p>
<p>3.4.2. The Committee <b>recommends</b> that a majority of the members of a board committee be independent.</p>		<p>All members of the Board of Directors elected by the annual general meeting are considered independent.</p>
<p>3.4.3. The Committee <b>recommends</b> that the members of the board of directors set up among its members an <i>audit committee</i> and that a chairman is appointed who is not the chairman of the board of directors.</p>		<p>An Audit Committee was established from the beginning of 2018 with a clear meeting structure and governance model. The Chairman of the Board of Directors is not the Chairman of the Audit Committee.</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"> <li>• significant accounting policies;</li> <li>• significant accounting estimates;</li> <li>• related party transactions; and</li> <li>• uncertainties and risks, including in relation to the outlook for the current year.</li> </ul>		<p>According to the above, the financial reporting is reviewed at the four quarterly audit committee meetings. In connection with the annual report, accounting policies, significant estimates, transactions with related parties, as well as risks and uncertainties are reviewed. In addition, the external auditor participates as an independent party to present the independent audit report as well as any general and specific observations.</p>

RECOMMENDATION	COMPLIANCE	COMMENT
<p>3.4.5. The Committee <b>recommends</b> that the audit committee:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• ensure that if an internal audit has been established, a description of its functions is approved by the board of directors;</li> <li>• ensure that if an internal audit has been established, adequate resources and competencies are allocated to carry out the work; and</li> <li>• monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function.</li> </ul>		<p>It is annually evaluated whether an internal audit function is required.</p>
<p>3.4.6. The Committee <b>recommends</b> that the board of directors establish a <i>nomination committee</i>, which is at least, responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• 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 and experience found in the two governing bodies;</li> <li>• 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;</li> <li>• annually assessing the competencies, knowledge, experience and succession of the individual members of management and report to the board of directors in this respect;</li> <li>• recommending candidates for the board of directors and the executive board; and</li> <li>• proposing an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.</li> </ul>		<p>The recommendation is partly followed.</p> <p>Based on the size of the company the role is handled by the Chairmanship.</p> <p>When needed ad hoc committees may be established for specific tasks.</p>

---

**RECOMMENDATION****COMPLIANCE****COMMENT**

---

3.4.7. The Committee **recommends** that the board of directors establish a *remuneration committee*, which is at least, responsible for the following preparatory tasks:

- 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 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;
- recommending a remuneration policy applicable for the company in general; and
- assisting with the preparation of the annual remuneration report.



The recommendation is partly followed.




Based on the size of the company the role is handled by the Chairmanship acting in this role in lieu of a separate remuneration committee and fulfilling the preparatory tasks recommended for a remuneration committee.

---

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.

---



RECOMMENDATION	COMPLIANCE	COMMENT
<p><b>3.5. EVALUATION OF THE PERFORMANCE OF THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD</b></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"> <li>• contribution and results;</li> <li>• cooperation with the executive board;</li> <li>• the chairman's leadership of the board of directors;</li> <li>• the composition of the board of directors (including competencies, diversity and the number of members);</li> <li>• the work in the committees and the committee structure; and</li> <li>• the organisation and quality of the material that is submitted to the board of directors.</li> </ul> <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>		<p>The Chairman conducts annual interviews with the Board Members and Management on the work of and interaction of the Board and Management. When replacing Board Members external advisors have been used in assessing competencies needed during the search and selection processes.</p>
<p>3.5.2. The Committee <b>recommends</b> 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>		<p>The chairmanship annually gives feedback on the work of Group Executive Management, including to which extent the Group's objectives have been met, financially and strategically as well as on its reputation.</p>
<p>3.5.3. The Committee <b>recommends</b> 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>		<p>The cooperation between Group Executive Management and the Board of Directors is evaluated on the chairmanship meeting each quarter. In addition, the Chairman and the CEO of the company has a formal dialogue and evaluation after the end of the financial year.</p>



# 4. Remuneration of Management

## RECOMMENDATION

## COMPLIANCE

## COMMENT

### 4.1. FORM AND CONTENT OF THE REMUNERATION POLICY

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

- 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
- an explanation for the correlation between the remuneration policy and the company's long-term value creation and relevant related goals.





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.



The recommendation is, at present, partially followed. It is expected to be followed from January 2020.





As recommended, RTX's remuneration policy (i) includes a description of both short-term and long-term remuneration components (ii) criteria/reasons for remuneration components (iii) is adopted by the Annual General Meeting (iv) is clearly described and (v) is published on the company's website.

However, the latest approval at the Annual General Meeting occurred 5 years ago. The new Directive (EU) 2017/828 of 17 May 2017 amending the Directive 2007/36/EC of 11 July 2007 on the exercise of certain rights of shareholders in listed companies "has been implemented in Denmark by an amendment to the Danish Companies Act. This implies that RTX's remuneration policy with effect from the Annual General Meeting in 2021 must comply with the EU Directive. RTX has decided to focus efforts on preparing an updated remuneration policy in compliance with the new regulations in accordance with section 139 in Danish Companies Act for approval already at the upcoming Annual General Meeting in January 2020. RTX is thus implementing a new remuneration policy compliant with future rules one year earlier than required. This also implies that RTX will be in a position to report in accordance with the new principles one year before required.

RECOMMENDATION	COMPLIANCE	COMMENT
<p>4.1.2. The Committee <b>recommends</b> that if the remuneration policy includes variable components;</p> <ul style="list-style-type: none"> <li>• limits should be set on the variable components of the total remuneration package;</li> <li>• a reasonable and balanced composition should be maintained between remuneration for members of management and the value creation for shareholders in the short and long term;</li> <li>• clarity should be established about performance criteria and measurability for the award of variable components;</li> <li>• variable remuneration should 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</li> <li>• the company should have 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.</li> </ul>		<p>It is evaluated that the adopted remuneration policy includes a balanced composition between remuneration and long-term value creation for the shareholders. Long-term components have a maturity period of at least three years.</p>
<p>4.1.3. The Committee <b>recommends</b> that remuneration of members of the board of directors does not include share options or warrants.</p>		<p>The recommendation is partly followed.</p> <p>The employee representatives may be included in a share-based remuneration programme as a result of their qualification profile and job function.</p>
<p>4.1.4. The Committee <b>recommends</b> 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 programmes, i.e. the options should be granted periodically.</p>		
<p>4.1.5. The Committee <b>recommends</b> that the total value of the remuneration relating to the notice period, including severance pay, does not exceed two years of remuneration, including all components of the remuneration.</p>		

RECOMMENDATION	COMPLIANCE	COMMENT
<b>4.2. DISCLOSURE OF REMUNERATION</b>		
4.2.1. The Committee <b>recommends</b> 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.		Comments regarding the remuneration policy will be included in the Chairman's statement at the annual general meeting if this is relevant.
4.2.2. The Committee <b>recommends</b> 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 <b>recommends</b> 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 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>The recommendation is, at present, partially followed. It is expected to be followed from the end of the financial year 2019/20. While the company publishes information on remuneration of the Board of Directors and the Executive Board in the annual report (also available through the company's website), it does not yet publish a remuneration report.</p> <p>The financial year 2018/19 was the first year in which RTX was subject to this recommendation regarding publishing a remuneration report.</p> <p>However, in the meantime, the EU Directive on the exercise of certain rights of shareholders in listed companies has been amended by the new Directive (EU) 2017/828 of 17 May 2017 and has been implemented in Denmark by an amendment to the Danish Companies Act. This implies that RTX shall publish a remuneration report in accordance with the new principles with effect from the end of the financial year 2020/21. RTX has decided to focus efforts on preparing an updated remuneration policy and report in compliance with the new regulations in accordance with section 139 in Danish Companies Act for approval already at the upcoming Annual General Meeting in January 2020. RTX is thus implementing a new remuneration policy compliant with future rules one year earlier than required. This also implies that RTX will be in a position to publish a remuneration report in accordance with the new principles one year before required.</p>
The remuneration report should be published on the company's website		

# 5. Financial Reporting, Risk Management and Audits

RECOMMENDATION	COMPLIANCE	COMMENT
<b>5.1. IDENTIFICATION OF RISKS AND TRANSPARENCY ABOUT OTHER RELEVANT INFORMATION</b>		
5.1.1. The Committee <b>recommends</b> 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.		Refer to the 2018/19 annual report in the section on "Risk Management".
<b>5.2. WHISTLEBLOWER SCHEME</b>		
5.2.1. The Committee <b>recommends</b> that the board of directors establish a whistleblower scheme for expedient and confidential notification of serious wrongdoing or suspicions thereof.		Whistleblower reporting available via the company's website.
<b>5.3. CONTACT TO AUDITOR</b>		
5.3.1. The Committee <b>recommends</b> 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.		
5.3.2. The Committee <b>recommends</b> 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.		



RTX A/S  
Stroemmen 6  
9400 Noerresundby  
Denmark

[www.rtx.dk](http://www.rtx.dk)

**RTX**  
WIRELESS WISDOM