ERHVERVSSTYRELSEN

GUIDELINES ON

Target figures, policies and reporting on the gender composition of management

The Danish Business Authority

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ERHVERVSSTYRELSEN

Contents

1. Introduction and background

This guideline is for companies subject to the rules on the gender composition of management and replaces the two previously guidelines available on the website of the Danish Business Authority. The aim is to provide companies with a tool for working with target figures, policies and reporting relating to this subject. The Danish Business Authority has also compiled an FAQ (in Danish). The guideline and FAQ can be found on the Authority's website at: https://erhvervsstyrelsen.dk/koensfordeling-i-ledelsen.

This guideline provides a number of clarifications, some of which are the result of recent discussions regarding the scope of the requirement to set target figures for the management body. The clarifications relate a.o. to the figure illustrating an equitable distribution in the management body, see section 3.1, scope of the target figure requirement, see section 4.1 and the exemption of the requirements for groups, see section 4.2.1.

The Danish Business Authority conducts an annual follow-up on companies' compliance with the rules on target figures and policies regarding gender composition based on random sampling. These follow-ups can be found on the Danish Business Authority's website at: https://erhvervsstyrelsen.dk/koensfordeling-i-ledelsen. The follow-ups will be incorporated into the Danish Business Authority's 2017 evaluation of whether the rules have led to positive advances in the share of women in management.

The Danish Business Authority also compiles regular calculations of the gender composition. These will also be available on the Authority's website at the above link.

Background

Act no. 1383 of 23 December 2012 introduced rules requiring companies to set target figures and establish policies for the underrepresented gender and to report on these targets and policies. Within the Ministry of Business and Growth's remit, the rules are incorporated into the Companies Act, the Act on Commercial Foundations, the Act on Certain Commercial Undertakings, the Financial Statements Act and a number of financial laws. Similar rules were incorporated into the Act on Equality of Men and Women (Act on Gender Equality) by Act no. 1288 of 19 December 2012, which is the remit of the Ministry for Children, Education and Gender Equality.

Since 1 April 2013, the largest Danish companies have been required to set a target figure and establish a policy for the gender composition of management. The requirement to report on target figures and policies became effective for the financial year beginning on 1 January 2013 or hereafter.

The objective of the rules is to achieve a more equitable distribution of women and men in management bodies. To ensure women the necessary experience and thereby the required recruitment basis for companies, the focus must not only be on the gender composition of companies' management bodies but also on improving women's representation at the other management levels.

The rules ensure necessary development in the area while providing the companies flexibility to set a target figure that is suited to their specific situation. This respects the companies' right of management and the circumstances of specific companies and industries.

The special way in which certain industries or companies organise themselves, e.g. with a board of representatives, cannot in itself exempt the given industry or company from the requirement to set a target figure and establish a policy for increasing the share of the underrepresented gender. The objective of the rules is to create a real increase in the share of women in management. Therefore, companies must strive to improve the gender balance within their organisations and must otherwise give information on why such improvement has not been achieved.

2. What companies are subject to the rules?

The rules cover the largest Danish companies and thereby the same companies that are required to report on their corporate social responsibility activities in accordance with section 99a of the Financial Statements Act.[1]

2.1 Company law

The rules apply for state-owned public limited companies and companies with equity interests, debt instruments or other securities listed for trading in a regulated market in an EU/EEA country.[2] Also covered are the companies that are subject to the Companies Act, the Act on Certain Commercial Undertakings[3] and the Act on Commercial Foundations, which are considered large according to the provisions of the Danish Financial Statements Act. Thus, companies that prepare financial statements according to the rules for large companies in accounting class C and all companies that prepare accounts according to accounting class D.

"Large" companies are understood as companies that exceed two of the following criteria in two consecutive financial years, see section 7 of the Financial Statements Act:

1) A balance sheet total of DKK 156 million;
2) Net revenue of DKK 313 million; and

[1] Note that separate criteria stipulate when companies covered by the Financial Business Act are subject to the rules on target figure and policies.
[2] However, in the case of commercial foundations, this only applies for foundations that have debt instruments or other securities listed for trading in a regulated market in an EU/EEA country, see section 41.
[3] See section 139 a for public limited and private limited companies and partner companies.

3) An average of 250 full-time employees.

The size limits are set out in section 7 of the Financial Statements Act which defines the concepts of balance sheet total and net revenue as well as how the average number of full-time employees is to be calculated. The listed sizes are those resulting from the amendment of the Financial Statements Act by Act no. 738 of 1 June 2015. These size limits can be applied as of calendar year accounts for 2015.

Calculation of full-time employees

The average number of full-time employees is calculated according to the provisions of the Executive Order on employee representation in public limited and private limited companies.[4]

More about parent companies

If a parent company of a group prepares consolidated financial statements, it may be subject to the requirements if it is a parent company of a "large" group – irrespective of whether it independently meets the conditions for being subject to the rules.

The calculation of whether the parent company is a "large" company must be made at the group level. The Authority is aware that this is not clear from the text of the Act. As stated in the procedural history of the Act, the rules are intended to cover the same group of companies who since 2009 have been obliged to prepare a report on corporate social responsibility pursuant to section 99 a of the Financial Statements Act. As a result, a small parent company of a large group will be subject to the rules when preparing consolidated financial statements.[5] By extension, it should be noted that the company will fall under the triviality limit for the policy requirement if it employs fewer than 50 employees.

More about subsidiaries

A subsidiary will generally be subject to the rules on target figures and policy if it independently meets the criteria for being covered. This applies if the subsidiary itself is a company with equity interests, debt instruments or other securities listed for trading in a regulated market in an EU/EEA country, or a large company.[6]

[4] See section 12 of Executive Order no. 344 of 30 March 2012 on employee representation in public limited and private limited companies.

[5] Note that separate criteria stipulate when companies covered by the Financial Business Act are subject to the rules on target figures and policies.

[6] This also applies for the subsidiaries of state-owned pubic limited companies. Previously, subsidiaries of state-owned public limited companies were themselves state-owned public limited companies, but this was changed in the 2009 Companies Act.

More about newly established companies
In connection with the establishment of a new company, e.g. formation, division or merger, the new company is subject to the rules on targets and policy for the underrepresented gender at the time the company's conditions leads the company to be either a state-owned public limited company, a large company or a listed company.

Thus, in its first financial year, a newly established company is categorised according to the size limits on the balance sheet date regardless of the fact that the requirement of two consecutive years is not met.

Foreign companies
The rules on target figures and policies apply for Danish companies. This is understood as companies with a registered office in Denmark.

Groups may be comprised of Danish and foreign parent companies/subsidiaries. Foreign companies are generally not subject to the rules. However, foreign companies that are part of a group may be subject to the rules if a Danish parent company chooses to prepare target figures and policies for the group as a whole and for all companies in the group. The parent company may also choose to limit the scope of the group's target figures and policies to companies which are independently subject to the rules and which prepare financial statements in Denmark (see more on this in section 4.1.2).

2.2 Financial legislation

Rules on target figures and policies have also been introduced in the financial legislation. For companies that are both covered by company legislation and financial legislation, the rules of the financial legislation will prevail in the event of a conflict between the two sets of rules.

The rules on target figures and policies in the financial legislation cover listed companies[7] and companies with a balance sheet total of DKK 500 or more in two consecutive financial years.

2.3. The Act on Gender Equality

Rules have also been introduced on target figures and policies for the gender composition of boards, etc. of government institutions and companies, etc. in the Act on Gender Equality[8], which is the remit of the Ministry for Children, Education and Gender Equality.

In principle state-owned public limited companies are governed by the Companies Act. In addition to the provisions of the Companies Act on target figures and policies, state-owned public

[7] Companies with securities listed for trading in a regulated market in an EU/EEA country.
[8] Act on Equality of Women and Men.

limited companies are also subject to Section 11(2) of the Act on Gender Equality. See also section 4.1.3 for more on this subject.

3. Equal distribution of women and men

Companies that have an equal distribution of men and women on the board of directors or in the other management are not required to set a target figure or establish a policy. An equal gender balance is understood as a distribution of 40/60% of men and women, respectively, or the number/percentage closest to 40%, see below under section 3.1. It is irrelevant if it is women or men who constitute 40% or 60%.

As shown in the table below companies with a supreme management body of three members, e.g. a public limited company with a board of three members, are considered to have an equitable distribution with one female member and two men or vice versa, i.e. a 33.33%/66.67% distribution.

The calculation of an equitable distribution must be made both in relation to the supreme management body and the company's other management levels. This means that a company can have an equitable distribution in the supreme management body, but not in its other management levels. In such cases, the company is not required to set a target figure for the supreme management body, but will still be required to establish a policy for increasing the share of the underrepresented gender in the company's other management levels.

Companies that have an equitable distribution in either the supreme management body or the other management levels (or in both), must provide information on the equitable gender distribution in the management report. See section 5 for more on this subject.

Companies are required to set a target figure and establish a policy for the underrepresented gender if the composition of the supreme management body or the company's other management levels changes and there is no longer an equitable distribution of women and men. In such cases, companies must set targets and establish policies as soon as possible.

3.1. Requirements regarding the number of board members to achieve equitable gender distribution

The Companies Act requires a public limited company's board of directors or supervisory board to consist of at least three members. There may be additional requirements in a company's articles of association regarding the number of board members.

In relation to the requirement of a target figure for the management body the rules do not require a company to change the provisions of its articles of association regarding the number of board members elected by the General Assembly in order to make equitable gender distribution possible.

In the event that the supreme management body only comprises a single person, e.g. in a private limited company where the management body may be a executive director, the rules do not require an expansion of the supreme management body. It is not relevant to discuss an equitable distribution in such companies, as an equitable distribution requires the presence of both genders.

Indicative overview of equitable gender distribution (40%/60%) in relation to the number of board members elected by the Annual General Meeting:

Board members elected by General Meeting	Equitable gender distribution			
Total	**Individual distribution**		**Percentage distribution**	
3 people	1	2	33.33%	66.67%
4 people	1	3	25%	75%
5 people	2	3	40%	60%
6 people	2	4	33.33%	66.67%
7 people	2	5	28.57%	71.43%
8 people	3	5	37.5%	62.5%
9 people	3	6	33.33%	66.67%
10 people	4	6	40%	60%
11 people	4	7	36.36%	63.64%
12 people	4	8	33.33%	66.67%
13 people	5	8	38.46%	61.54%
14 people	5	9	35.71%	64.29%
15 people	6	9	40%	60%

4. Establishing a target figure and policies

4.1. Target figures for the supreme management body

The management body must set a target figure for the share of the underrepresented gender in the management body if the company does not have an equitable gender distribution.

The target must cover the board members elected by the General Meeting. Board members elected by employees are not covered by the target figure requirement.[9] Politically appointed members are not covered by the target figure requirement, as they are appointed by "others" than the General

[9]However, for companies covered by the Financial Business Act, the target figure for the board covers the entire board, including employee-elected board members and members nominated by trade unions.

Meeting. Board members appointed by a consumer organisation or the like, for example a consumer organisation, are also not covered by the target figure requirement, as they are not elected by the General Meeting. Board members appointed by e.g. a board of representatives in an co-operative or association are covered by the target figure requirement, as the board of representatives must be regarded as a democratic body (representative of owners/members) that can be equated with a General Meeting.

A target figure comprises of a specifically defined target figure and an indication of the time period within which the company expects to meet its target figure.

The supreme management body must be as specific as possible when setting a target figure. For example the target can be expressed as a number – e.g. a target of having two female board members out of the six board members elected by the General Meeting. The target figure can also be expressed as a percentage, e.g. that the company's target is a share of women of 33% out of the total number of board members elected by the General Meeting.

In principle, the time frame should be set at no more than four years which is the maximum time it takes to replace the supreme management body. For example, the time frame can be set at four years but the supreme management body should clearly indicate the date on which the period ends. The time period can also be indicated as a specific year in which the company expects to meet its target. A target figure that must be met in for example 30 years would not be in accordance with the rules.

A company must establish a target figure with due consideration of its individual circumstances or those of the industry at the time of setting the target figure. Companies are thereby free to set the target figure appropriate for the company in question. The target figure must - with regards to the objective of the legislation - be ambitious and realistic for the company and should ensure a movement towards a more equitable distribution of men and women.

Danish companies have very different starting points in relation to their work on increasing the number of women in management. Thus, a wide range of factors can shape a company's possibilities and ambitions of increasing the number of women in management. The rules have been introduced to promote initiatives that can contribute to a more equitable gender distribution in the management of the largest companies in Denmark by requiring these companies to consider the gender composition. Meanwhile, the rules are also flexible and take into account these companies' right of management.

The Danish rules are not an expression of a legal quota and companies are free to set the target figure they find ambitious and realistic given the company's circumstances and the circumstances in the given industry. The companies are required to set a target figure unless they have an equitable distribution, but the rules do not require them to set a new, higher target figure when the company reaches its previous target.

The objective of the rules is to ensure that companies set ambitious and realistic targets to ensure progress towards a more equitable distribution of men and women. Therefore, it is recommended that companies consider whether an already achieved target figure still I ambitious and realistic or the company should set a new target figure. If the company chooses to maintain the achieved target figure, the company must still indicate this in the company's annual report.

When setting a target figure for the first time, circumstances in a company that may complicate meeting the target figure cannot serve as justification for not setting a target figure or setting a target of 0. This because a target figure of 0 is not considered ambitious and does not contribute to a positive development, which is the fundamental objective of the rules. In such situations, companies must set a target figure and report for failing to meet the target figure. The same applies for companies where fulfilment of the target figure may be complicated by the exit of a board member of the underrepresented gender.

There is a particular issue in relation to setting target figures for large companies with a management body comprised of a single person, e.g. a private limited company, which can have a executive director as the supreme management body. As the rules do not entail an implicit obligation to expand the number of members in the supreme management body, the Danish Business Authority finds that requiring a target figure in these situations does not make sense. On this basis, the Danish Business Authority finds that the company must assess whether it is useful to set a target figure – this may be the case, for example, if the company has already considered changing the existing management structure.

4.1.1. More about commercial foundations

Foundations are characterised by not having owners and thus the board of directors of the foundation that makes decisions on behalf of the foundation in accordance with the articles of association. The foundation's articles of association lay out the framework for the composition of the board of directors. In some cases, employees can also exercise their legal right to appoint members of the board of the foundation. The requirement of setting target figures applies for all members of the board of directors appointed in accordance with the provisions of the articles of association. Thus, as in companies, the employee-elected board members are not covered by the target figure requirement.

4.1.2. More about groups

Parent companies that prepare consolidated financial statements may choose to set targets for the group as a whole and report for the group as a whole. In order to set target figures for the group as a whole, it is required that the parent company prepare a consolidated financial statement.

As this is an exemption of the rules regarding groups, a parent company can choose between two models. If a parent company chooses to set target figures at group level it can choose between two models:

1. It can choose to set target figures covering all of the companies in the group. In such cases, target figures must also be set for the companies in the group that are not independently of a size that they are subject to the ordinary requirement, as well as any foreign companies are covered.
2. However, the parent company may choose to set a target figure covering only the companies that individually meet the criteria for being subject to the rules (i.e. large companies). In such cases foreign large companies are not covered by the group target figure.

The latter may be relevant in large groups with many subsidiaries, where the reporting obligation would be burdensome if there was a requirement to report for each underlying company. In such cases the reporting should only cover these (large) companies and not all companies in the group. For example a group may consist of 50 companies of which only three are subject to the target figure requirements. In such cases choosing the first alternative would result in a drastic expansion of the requirement while the latter limits setting a target figure only to three companies subject to the requirements.

However, setting target figures at group level does not exclude the setting of differentiated individual target figures within the group. Differentiating the target figures may be advantageous in groups with activities in multiple industries with varying distributions of men and women.

If a parent company <u>does not</u> choose to set target figures for the entire group the companies in the group that are individually subject to the rules on target figures and policies must set targets figures.

4.1.3. More about state-owned public limited companies

In addition to the provisions of the Danish Companies Act, state-owned public limited companies are also subject to the Act on Gender Equality, according to which the management bodies must as far as possible have a balanced composition of women and men.[10]

[10] Section 139 a(5) of the Danish Companies Act refers to section 11(2) of the Act on Gender Equality.

This means that state-owned public limited companies are subject to two sets of rules regarding the obligation to set a target figure. This is not a matter of one act prevailing over the other – thus, the company can choose between working towards a 40/60 distribution, pursuant to the rules of the Companies Act, or striving to achieve a "balanced composition of women and men", pursuant to section 11(2) of the Act on Gender Equality, understood as at least one-third of each gender.

4.2. Policy for the other management levels

The central management body must establish a policy for increasing the proportion of the underrepresented gender at the company's other management levels. It is essential that the policies are supported by concrete measures including specific actions and associated results. In the view of the Danish Business Authority a declaration of intent that the company "will work to increase the number of women in management" is not sufficiently specific to constitute a policy.

The obligation to prepare a policy applies only to companies with 50 or more employees. Companies which during the last financial year have had fewer than 50 employees may refrain from preparing a policy. Companies with less than 50 employees which are not required to prepare policies are encouraged to report on this in the annual report's management report to clearly inform that the company is under the minimum limit.

Other management levels are understood as leading positions in addition to the supreme management body with responsibility for daily operations. Therefore, other management levels will include executives, financial managers, team managers, department managers, etc. The definition of a leading position will depend on a given company's management structure.

The objective of the obligation to establish a policy for the other management levels is to improve the recruitment base for the board positions. Therefore, companies must consider how to improve the qualifications of the underrepresented gender in relation to management experience.

The policy must include a description of the company's gender equality measures, for example:

- Collaboration with other companies.
- Frameworks for each manager's career development through networking.
- Mentor programmes.
- Internal target figures relating to the share of the underrepresented gender.
- Other measures that make the company attractive for managers of both genders, e.g. personnel policies that promote equal career opportunities for women and men or hiring procedures and recruitment that contribute to highlighting women with managerial talents, thereby ensuring female and male candidates in connection with internal and external recruitment.

Companies must generally take proactive action to increase the share of the underrepresented gender. Companies may choose the procedures/methods they find suited to promoting a more equitable gender composition in the general management of the company.

4.2.1 More about groups

Parent companies that prepare consolidated financial statements may choose to establish policies for the group as a whole and report for the group as a whole. As this is a exemption of the rules regarding groups a parent company can choose between two models. If a parent company chooses to establish policies at the group level, it can choose between two models:

1. It can choose to establish policies covering all companies in the group. In such cases, policies must also be established for the companies in the group that are not independently of a size that they are subject to the ordinary requirements including any foreign companies.
2. However, the parent company may choose to establish group policies covering only the companies that individually meet the criteria for being subject to the rules (i.e. large companies). In such cases, any large foreign companies are generally not covered by the policies.

The latter alternative may be relevant in large groups with many subsidiaries where the reporting obligation would be burdensome if it were required to report for each underlying company regardless of size.

If a parent company <u>does not</u> choose to establish policies for the entire group the companies in the group that are individually subject to the rules on target figures and policies must establish policies for the other management levels. Note that companies with fewer than 50 employees are exempted from this obligation.

5. Reporting

Companies must annually report on their target figures and policies in the management report of the annual report. The report must be in the form of one overall statement rather than reporting several places in the management report. The objective of the report is to provide clarity about developments and whether there is a real increase in the share of women in management. The reporting requirement is set out in section 99 b of the Financial Statements Act regarding financial statements and the same provision with reference from section 128(2) of the Financial Statements Act regarding consolidated financial statements. Thus the regulation is an extension of the provision on companies' CSR-reporting, see section 99 a.

If a company has achieved an equitable gender distribution (40/60) in the supreme management body and/or the other management levels, there is only an obligation to report on this in the management report. It should be made clear whether there is equitable gender distribution in the supreme management body, the other management levels or both.

The Danish Business Authority recommends that companies *clearly* indicate whether if they have an equitable distribution. Failure to provide this information may in worst case be considered as if the company does not have an equitable distribution and has not met the obligation to set a target figure and/or policies.

As previously mentioned companies with fewer than 50 employees are not required to establish a policy for the other management levels. There is no obligation to disclose information on this in the management report but companies with fewer than 50 employees are encouraged to state in the management report that the company is below the minimum limit and therefore has not established policies for the other management levels.

The reporting can be done in the following ways:

1. Companies that are independently subject to the rules on gender composition set target figures and policies for the underrepresented gender and report on this in the company's own annual report, regardless of whether the company is part of a group.
2. Companies that are independently subject to the rules on gender composition set target figures and policies for the underrepresented gender and leave it to the parent company to report on this for the individual subsidiaries in the consolidated financial statements.
3. The parent company establishes target figures and policies for the underrepresented gender for the group as a whole and reports for the group, i.e. for each individual company in the group. However, the parent company may choose to only apply group targets and policies to the companies that are independently subject to the rules and thus report for these (large) companies. The individual subsidiaries are thereby exempt from the reporting obligation.

5.1. Report on the target figure

The report must include a statement regarding the target figure including the current status of fulfilment and, where appropriate, why the company has not achieved the established target.

This means that companies must:

- Specify the established target figure and the time frame for the anticipated fulfilment of the target figure.
- Indicate the proportion of women and men in the current composition of the management body and among board members elected by the annual general meeting.
- Indicate whether the established target figure has been reached.

- If the target figure has not been reached the company must provide information of the reasons hereof.

Companies must annually report on the above regardless of the time period established for fulfilment of the target figure. This also means that companies must consider the target figure in relation to the established time frame. If a company has established a target figure of having 2 female members out of 5 board members within a time frame of 4 years and, after the first year only has elected 1 woman on the board, the company must report on this. The company must address the measures it has taken to achieve the target figure and on this basis conclude as to why the target figure has not been reached. Thus, it is not sufficient to state that the target figure has not been reached because the established time frame has not yet expired.

If the company has reached the target figure and has chosen not to set a new target figure, the company must continue to indicate the achieved target figure in the annual report if the company does not have an equitable distribution of men and women in the management body.

5.2. Report on policies

Companies must also report on their policy for increasing the share of the underrepresented gender at the company's other management levels.

The report must include information about:

- The specific contents of the company's policies to increase the share of the underrepresented gender.
- How the company converts its policies into actions including any systems or procedures employed for this purpose.
- The company's assessment of what it has achieved as a result of its gender composition initiatives during the financial year and any future expectations of these initiatives.

Thus, it is not sufficient to state that the company is enrolled in a mentor programme. The company must address how the mentor programme and any other measures in the company's policy are applied and the results achieved thereby. The initiatives described may include the company's overall recruitment measures for example. However, it is essential that the report clearly reflects the company's concrete actions in relation to increasing the share of the underrepresented gender. Insufficient reporting may in worst case cause that the Danish Business Authority to consider it as non-compliance with the rules.

A policy for increasing the share of the underrepresented gender at the company's other management levels may not solely be targeted new employees but must include existing employees at the company's other management levels.

5.3. What are the requirements regarding presentation of the report?

The report on target figures and policies can be presented in a number of different ways:

- The report can be provided in the management report, optionally as a separate section.
- The report can be provided in a supplementary report to the annual report. The management report must refer to the supplementary report.[11]
- The report is posted on the company's website. The management report must refer directly to the applicable page on the website.
- The report is provided as part of the company's information on corporate social responsibility in accordance with international guidelines or standards. However, it is required that the report contains the information required pursuant to section 99 b of the Financial Statements Act.[12]

There are no requirements as to the precise format of the reporting. However, it is important that the company's reporting is as specific as possible to provide a clear overview of the target figure, the company's current gender composition in the supreme management body and fulfilment of the target figure, as well as how the company's policy for the other management levels is implemented in practice and the associated results.

Report on the company's website

The report on the gender composition of management may be posted on the company's website in accordance with the rules of the Executive Order on the publication of a series of statements according to the Danish Financial Statement Act.[13]

If the company has chosen to post the report on the company's website, a number of conditions must be met.

The company must disclose information in the management report that the report is posted on the website. The information in the management report must include a reference in the form of an internet address (indication of the URL address) that is used to directly access to the given report. This means that the link must lead directly to the page on the company's website where the report is located. Thus, it is not sufficient to refer to the company's website in general.

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[11] Refer to section 14 of the Financial Statements Act for more on this subject.

[12] See section 2(4) of Executive Order no. 1543 of 16 December 2013 on corporate social responsibility reporting according to international guidelines or standards, which effective 1 July 2016 will be part of the Executive Order on the publication of a corporate governance report and a corporate social responsibility report on the company's website, etc.

[13] See Executive Order no. 558 of 1 June 2016 on publication of a series of statements according to the Danish Financial Statement Act.

The report must also be called “Report on the gender composition of management in accordance with section 99 b of the Financial Statements Act”. The report must include information stating that it constitutes a part of the management report in the company’s annual report. In addition, the accounting period for the applicable annual report must be indicated. The report must relate to the same period as the annual report’s accounting period.

The report must be published as a complete report and must be kept clearly separate from any additional information on the company’s website regarding gender composition. The report must be available on the company’s website in unmodified form for at least 5 years at the internet address listed in the management report of the annual report to which the report is related. If the internet address is changed during this period, the original internet address must forward directly to the new internet address.

It is also required that the report is available to the company’s owners (shareholders, etc.) from the time when the annual report is available to the owners prior to the General Meeting where the annual report is to be approved. The report must also be available on the company’s website from the time when the annual report is available to the public.

Additional information

If the company’s circumstances have changed and the company wishes to update information in the published report the updated information must be kept clearly separate from the report and can for example be named “additional information on the gender composition of the management”. The updated information must be published as additional information since the report, as mentioned above, must be available in unchanged form for at least 5 years.

Report in accordance with international guidelines or standards

The company may choose to disclose its report on the gender composition of management in its report on corporate social responsibility according to international guidelines and standards.[14] This can be done in one of the following ways:

- Reporting in a progress report as required of companies participating in the UN Global Compact.
- Reporting in the form of a report on responsible investments, as required of the signatories of the UN Principles for Responsible Investment, PRI.
- Reporting according to the applicable guidelines of the Global Reporting Initiative.

If the company meets its reporting obligations in relation to the gender composition of management as part of a report on corporate social responsibility according to international guidelines or

[14] See Executive Order no. 1543 of 16 December 2013 on corporate social responsibility reporting according to international guidelines or standards.

standards the company is not required to also include a report in the management report, in connection with the management report or on the website as indicated above. However, it is required that the report according to international guidelines and standards contains the information that the company is required to report on in accordance with section 99 b of the Financial Statements Act.

It is also required that the management report clearly indicates which of the options within the international guidelines and standards has been chosen by the company. Further it must be stated where the report are publicly accessible and available.

A subsidiary that is part of a group can refrain from disclosing the information in its management report if the parent company has prepared a report that meets the requirements outlined above. A subsidiary which refers to a parent company that reports on corporate social responsibility in accordance with international guidelines or standards must indicate this in the management report.

5.4. Recommendations on good corporate governance

The Committee on Corporate Governance has developed a set of Recommendations for Corporate Governance to support good governance in listed companies. The companies must annually review their compliance with the recommendations and prepare a report on Corporate Governance, see section 107(b) and (c) of the Financial Statements Act.

The recommendations include a recommendation regarding diversity on the boards of directors. The Danish Business Authority has seen numerous examples in which the report on the gender composition of management is included in the company's report on corporate governance.

The Report on gender composition and the Report on Corporate Governance are two different reports that must be prepared separately.

6. Penalty

The obligation to set target figures, policies and reporting are a statutory obligation. Failure to set a target figure can be punished by fine, see section 367 of the Danish Companies Act.

As mentioned above, the supreme management body must set a target figure that is deemed appropriate for the given company. Thus, it is possible to take into account the specific circumstances of the company and the industry. Failure to meet the defined target figure is not punishable.

Failure to report in the annual report on target figures and policies may lead to issuing of a fine, see section 164 of the Financial Statements Act.

7. Requirements for auditors

Companies subject to the rules on target figures and policies are required to have their financial statements audited by one or more auditors.

The auditor must, as part of the audit, issue a statement on whether the information in the management report is in accordance with the financial statements and the consolidated financial statement, if applicable. The auditor's statement on the management report also includes the management's report on the gender composition of management. This applies irrespective of whether the report is included in the management report or in a supplementary report referred to in the management report, or on the company's website with a reference in the management report, as the report in question is part of the management report.

The auditor's statement must include a description of material errors and deficiencies in the management report that came to the auditor's attention. This may include one or more items of missing information required by law.

Errors may be due to incorrect compliance with the statutory disclosure requirements. Errors and deficiencies are identified on the basis of an inspection of the management report. It is assumed that the auditor is aware of the regulations governing the management report. The auditor must thus, in brief terms, read the management report and 1) compare the information therein with the information in the financial statements and any consolidated financial statements; 2) compare the information therein with the knowledge and the circumstances of which the auditor became aware in connection with the audit of the financial statements; and 3) based on the auditor's knowledge of the regulations consider whether there are errors or deficiencies in the management report.

If the company has chosen to post the report on the gender composition of management on the company's website, the auditor must, in addition to the above and among other things, ensure:

- that the management report contains this information stating the URL address that is to be used to access the report directly;
- that the report is published under the correct heading so it cannot be mistaken for voluntary gender distribution information; and
- that the report states that it constitutes an element of the management report in the company's annual report.

If the company discloses information on corporate social responsibility according to international guidelines or standards including reporting on target figures and policies for the underrepresented gender the auditor must determine whether the report according to the international guidelines or standards contains reporting on target figures and policies for the underrepresented gender.

The auditor must prepare a supplementary statement on management responsibility if the company has not established target figures and/or policies and reported on them.