

VELUX FONDEN: Compliance with the recommendations on Foundation Governance

March 2024

VELUX FONDEN is a non-commercial foundation. VELUX FONDEN emphasises the importance of transparency and has therefore decided to voluntarily account for the Foundation's activities and relate to the Recommendations on Foundation Governance. The information is reviewed and approved by the board annually.

Recommendation	The foundation <u>complies</u>	The foundation <u>explains</u> ¹		Not applicable
		<i>why</i>	<i>how</i>	
1. Transparency and communication				
1.1 It is recommended that the board of directors adopt principles for external communication that address the need for transparency and stakeholders' needs and possibilities to obtain relevant up-to-date information about the circumstances of the foundation.	The Foundation wants its activities to be transparent and open. In its Rules of Procedure, the Foundation has adopted guidelines for external communication, including who may make statements to the public on behalf of the Foundation.			
2. Tasks and responsibilities of the board of directors				

¹ In case of lack of compliance with a recommendation, the foundation must explain *why* this recommendation was not followed and *how* the foundation has acted differently. An adequate explanation answers both questions and categorises the answer as being in compliance with the recommendation. It is therefore important that the foundation answer both questions in its explanation.

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		<i>why</i>	<i>how</i>	
2.1 Overall tasks and responsibilities				
2.1.1 It is recommended that, in order to secure the activities of the commercial foundation in accordance with the purposes and interests of the foundation, the board of directors should, at least once a year, take a position on the overall strategy and distribution policy of the foundation on the basis of the articles of association.	Each year, the Foundation will hold a strategy meeting at board level. This also appears from the Rules of Procedure.			
2.1.2 It is recommended that the board of directors regularly address whether the foundation's asset management is in line with the purpose of the foundation and its long- and short-term needs.	The Foundation's assets are managed by the Foundation's CIO and his team with the assistance of the Investment Committee appointed by the board of directors in cooperation with Villum Fonden. The management will take place according to the framework decided by the board of directors, which is reassessed on a regular basis. The Foundation has allocated substantial funds to impact-oriented investments. The Foundation receives reports prior to each board meeting. Please be referred to our Policy for Responsible Investments at VILLUM FONDEN and VELUX FONDEN, Responsible investments. Velux (veluxfonden.dk).			
2.2 Chairman and vice-chairman of the board of directors				

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		<i>why</i>	<i>how</i>	
<p>2.2.1 It is recommended that the chairman of the board of directors organise, convene and chair meetings of the board of directors in order to ensure effective board work and to establish the best conditions for the work of the board members, individually and collectively.</p>	<p>The chair will plan board meetings in cooperation with the vice-chair and the executive board. Fixed chairmanship meetings will also be held prior to each board meeting for the purpose of planning future board meetings. The chair will chair the board meetings.</p>			
<p>2.2.2 It is recommended that if the board of directors, in exceptional cases, asks the chairman of the board of directors to perform special activities for the commercial foundation which extend beyond the duties of chairman, a board resolution to that effect be passed to ensure that the board of directors maintains its independent, general management and control function. Appropriate allocation of responsibilities should be ensured between the chairman, the vice-chairman, the other members of the board of directors and the executive board, if any.</p>	<p>The Foundation observes the recommendation which has also been incorporated in the board's Rules of Procedure. The chair and the vice-chair constitute the chairmanship which plans the board meetings together with the executive board. If the board decides that the chair is to have special operational assignments, a distribution of assignments will be agreed to ensure that the board will still be able to be in charge of an independent overall management. So far, this has not been relevant.</p>			
<p>2.3 Composition and organisation of the board of directors</p>				

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		<i>why</i>	<i>how</i>	
<p>2.3.1 It is recommended that the board of directors regularly, and at least every second year, assess and stipulate the competences that the board of directors needs to possess in order to best perform the tasks incumbent upon the board of directors.</p>	<p>Each year, the board will decide which competencies the board is to have in order to perform its assignment in the best way possible and how to ensure that the board has these competencies. The chair will maintain a list of competencies upon which the current assessment will be based.</p>			
<p>2.3.2 It is recommended that, with due respect of any right in the articles of association to make appointments, the board of directors approves a structured, thorough and transparent process for selection and nomination of candidates for the board of directors.</p>	<p>According to the Rules of Procedure, the chair will, together with the board, ensure that a structured, thorough and transparent procedure concerning election and recommendation of candidates is prepared in case of new election. The board has also used external consulting services.</p>			
<p>2.3.3 It is recommended that members of the board of directors are appointed on the basis of their personal qualities and competences, taking into account the collective competences of the board, and when composing and nominating new members of the board the need for introducing new talent is weighed against the need for continuity and the need for diversity in relation to commercial and grants experience, age and gender.</p>	<p>The Foundation complies with the recommendation, which is also incorporated into the Rules of Procedure of the board of directors.</p> <p>The average age of the present board of directors is 62; the youngest member was born in 1975 and the oldest member in 1953.</p> <p>Five out of six board members are women.</p>			

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<p>2.3.4 It is recommended that in the management commentary in the annual report and on the commercial foundation's website, if any, there is an account of the composition of the board of directors, including its diversity, and that the following information is provided on each board member:</p> <ul style="list-style-type: none"> • the name and position of the member, • the age and gender of the member, • date of original appointment to the board whether the member has been re-elected, and expiry of the current election period, • any special competences possessed by the member, • other managerial positions held by the member, including positions on executive boards, boards of directors and supervisory boards and board committees in Danish and foreign foundations, enterprises and institutions, as well as other demanding organisation tasks, 	<p>The Foundation's website provides information on the composition of the board, name, position, age, date of commencement, re-election, expiry of the board member's term, other managerial offices and special competencies and independence.</p> <p>No authority, contributor, etc. are entitled to appoint board members.</p>			

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<ul style="list-style-type: none"> • whether the member owns shares, options, warrants and similar in the foundation's subsidiaries and/or associated companies, • whether the member has been appointed by authorities/providers of grants etc., and • whether the member is considered independent. 				
<p>2.3.5 It is recommended that the majority of the members of the board of directors of the commercial foundation are not also members of the board of directors or executive board of the foundation's subsidiary(ies), unless it is a fully owned actual holding company.</p>	<p>The recommendation is aimed at commercial foundations which the Foundation is not.</p>			
<p>2.4 Independence</p>				

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		<i>why</i>	<i>how</i>	
<p>2.4.1 It is recommended that an appropriate proportion of the board of directors be independent.</p> <p>If the board of directors (excluding employee representatives) is composed of</p> <ul style="list-style-type: none"> • up to four members, at least one member should be independent, • between five and eight members, at least two members should be independent, or • nine to eleven members, at least three members should be independent, and so on. <p>To be considered independent, this person may not, for example:</p> <ul style="list-style-type: none"> • be or within the past three years have been member of the executive board, or senior employee in the foundation, or an essential subsidiary or associated company to the foundation, • within the past five years have received larger emoluments, including distributions or 	<p>The Foundation complies with the recommendation as five board members are independent.</p>			

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<p>other benefits from the foundation/group or a subsidiary or associated company to the foundation in other capacity than as member of the board of directors or executive board of the foundation,</p> <ul style="list-style-type: none"> • within the past year have had a significant business relationship (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management of companies with corresponding connection) with the foundation/group or a subsidiary or associated company to the foundation, • be or within the past three years have been employed or partner at the external auditor, • have been a member of the board of directors or executive board of the foundation for more than 12 years, • be a close relative of, or in some other way be especially close to, persons who are not considered independent, 				

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<ul style="list-style-type: none"> • be the founder or a significant donor if the purpose of the foundation is to grant support to this person's family or others who are especially close to this person, or • be a member of the management of an organisation, another foundation or similar, which receives or repeatedly within the past five years has received significant donations from the foundation. 				
2.5 Appointment period				
<p>2.5.1 It is recommended that members of the board of directors be appointed for a minimum period of two years and a maximum period of four years.</p>		<p>The Foundation does not follow the recommendation as The Foundation's Trust Deed sets out another framework for board members appointment period than the recommendation.</p>	<p>The Foundation's Trust Deed provides that one board member is up for election each year. A new member will take the predecessor's seat in the board of directors. Re-election is carried out every six years as a minimum. Further, a member may only be a member of the Foundation for ten years, and after the age of 75, a member must also</p>	

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			resign at the following annual meeting. However, the above ten-year term may be extended by the board by up to five year in relation to the founder's, Villum Kann Rasmussen, descendants.	
2.5.2 It is recommended that an age limit for members of the board of directors be set, which is published in the management commentary or on the foundation's website.	The Foundation observes the recommendation as it appears from the Trust Deed that a board member must resign after ten years or after the age of 75.			
2.6 Evaluation of the performance of the board of directors and executive board				
2.6.1 It is recommended that the board of directors establish an evaluation procedure in which the board of directors, the chairman and the contributions and performance of individual members are evaluated annually, and the result is discussed by the board of directors.	At the initiative of the chair, the board may decide on the Foundation's overall strategy and grant policy once a year based on the Trust Deed. Each year, an evaluation will be made of the board's work, which will be discussed by the board. Occasionally, this evaluation will be made with external assistance.			

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2.6.2 It is recommended that once a year the board of directors evaluate the work and performance of the executive board and/or the administrator (where relevant) in accordance with predefined clear criteria.	The chairmanship will carry out evaluation interviews with the executive board each year. The board will be informed thereof. Occasionally, the Foundation's administration will also be subject to employee satisfaction surveys together with Villum Fonden.			
3. Remuneration of management				
3.1.1 It is recommended that the members of the board of directors of commercial foundations be remunerated with a fixed remuneration and that members of an executive board, if any, be remunerated with a fixed remuneration, possibly combined with a bonus which should not be dependent upon accounting results. The remuneration should reflect the work and responsibilities consequential to the position.	The Foundation is paying the board and the executive board in accordance with the recommendation.			
3.1.2 It is recommended that the financial statements provide information about the full remuneration received by each member of the board of directors and any executive board from the commercial foundation and from the foundation's subsidiaries and associated companies. Furthermore,	The Foundation observes the recommendation as regards the board's and the executive board's remuneration. Reference is made to the Foundation's financial statements.			

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there should be information on any other remuneration which members of the board of directors and any executive board have received for performing other work or tasks for the foundation, the foundation's subsidiaries or associated companies, except for the remuneration of employee representatives as employees.				