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Executive Order no. 663 of 26 June 2008

Executive Order on the Independence of Approved Auditors and Audit Firms (Bekendtgørelse om godkendte revisorer og revisionsvirksomheders uafhængighed)

In pursuance of Section 24 (5) and Section 54 (2) of the Danish Act no. 468 of 17 June 2008 on Approved Auditors and Audit Firms, the following is hereby laid down:

General Provisions

S. 1. An auditor must not perform assignments that are covered by the Danish Act on Approved Auditors and Audit Firms, Section 1 (2), if there are any threats that may raise doubt in a well-informed third party about the auditor's independence.

(2) If there are any threats to the auditor's independence, cf. the Danish Act on Approved Auditors and Audit Firms, Section 24 (3), the auditor shall apply the necessary safeguards to mitigate these threats. If the auditor's independence is still at risk despite the safeguards applied, the auditor shall abstain from performing the assignment.

Threats to the Auditor's Independence

S. 2. Threats in pursuance of Section 1 (1) shall always be regarded as existing, cf. the Danish Act on Approved Auditors and Audit Firms, Section 24 (2), if:

- 1) The auditor or other persons in the audit firm who are attached to an assignment, cf. Section 1 (1), or who are in a position to influence the outcome of the assignment are connected through close family ties, to persons who
 - a) have a significant direct or indirect financial interest in the company that the assignment concerns,
 - b) have a managerial position with the company that wishes to have the assignment performed or that the assignment concerns,
 - c) have direct influence on the preparation of the documents that the assignment concerns or
 - d) have a business relationship with the company that the assignment concerns unless the relationship concerns normal business activities and does not constitute a significant threat to the auditor's independence.
- 2) The auditor or other persons in the audit firm who are attached to the assignment or who are in a position to influence the outcome of the assignment are or have, within the past two years, been employed in a managerial function in the company that the assignment concerns and have exercised an influence on the subject matter of the assignment as part of the employment.
- 3) The audit firm, auditor or other persons in the audit firm who are attached to the assignment or who are in a position to influence the outcome of the assignment have any kind of direct or significant indirect financial interest in the company that the assignment concerns.
- 4) The audit firm, auditor or other persons in the audit firm who are attached to the assignment or who are in a position to influence the outcome of the assignment have any other business relationship with the company that the assignment concerns that entail a joint commercial or financial interest unless the business relationship fall within both parties' normal activities and are regulated by ordinary business terms and are not of such an extent that they constitute a threat to the independence. Regardless of the nature of the terms, a cross audit shall, however, never be permitted.
- 5) The company that the assignment concerns
 - a) has a direct or a significant indirect financial interest in the audit firm to which the auditor is attached or
 - b) is entitled to appoint members of the audit firm's Board of Directors or of the Board of Directors in the audit firm's parent company.

(2) Close family ties as mentioned in (1), no. 1, exist in relation to parents, brothers and sisters, spouses or partners, children and other persons who have a relationship of dependency with the person in question.

Special Circumstances

S. 3. If there is a threat as stated in Section 2 (1), no. 1, and the auditor has not realised and should not have realised this threat, Section 1 (1) shall only apply from the time at which the auditor becomes aware of the threat.

(2) If the threat concerns the auditor himself or herself, the auditor shall abstain from performing the assignment.

(3) If the threat concerns another person in the audit firm who is attached to the assignment or who are in a position to influence the outcome of the assignment, the person in question shall immediately be removed from the audit team or, if the person does not form part of the team, he or she shall be excluded from participation in decisions concerning the assignment. In such a situation, the auditor shall exert due diligence in the review of said person's relevant working papers.

S. 4. If there is a threat as stated in Section 2 (1), no. 3, the financial interest shall be sold as quickly as possible and not later than one month after the auditor became aware of the matter. If such action is not taken, the auditor shall abstain from performing the assignment.

(2) If the threat concerns another person in the audit firm who is attached to the assignment or who are in a position to influence the outcome of the assignment, the financial interest shall be sold as quickly as possible and not later than one month after the auditor became aware of the matter. Until the financial interest has been sold, the person in question shall be removed from the audit team or, if the person in question does not form part of the team, he or she shall be excluded from participation in decisions concerning the assignment. If such action is not taken, the auditor shall abstain from performing the assignment.

(3) If the threat concerns a person as stated in (2), but where the auditor has not realised or should not have realised that there was such a threat, the financial interest shall be sold as quickly as possible and not later than one month after the auditor became aware of the matter. Until the financial interest has been sold, the person in question shall be removed from the audit team or, if the person in question does not form part of the team, he or she shall be excluded from participation in decisions concerning the assignment. In such a situation, the auditor shall exert due diligence in the review of said person's relevant working papers. If the conditions in the first and second sentences are not met, the auditor shall abstain from performing the assignment.

Public Interest Companies

S. 5. Threats as stated in Section 1 (1) shall, moreover, always be regarded as existing if the assignment concerns a company that is covered by the Danish Act on Approved Auditors and Audit Firms, Section 21 (3), and the auditor or other persons in the audit firm

- 1) in addition to the requirements that follow from generally accepted auditing practices, have participated in bookkeeping or similar registrations that form the basis of the subject matter of the assignment or have participated in the preparation of the document that the assignment concerns or
- 2) have prepared lists of candidates, within the past two years, for use for recruitment of employees for central financial and administrative executive positions in the company or have participated in the recruitment process in a corresponding manner.

Other Threats to the Independence of Auditors and Audit Firms

S. 6. In addition to the cases mentioned in Sections 2 and 5, threats that are mentioned in Section 1 (1) may exist if

- 1) the auditor or other persons in the audit firm who are attached to the assignment or who are in a position to influence the outcome of the assignment have performed other assignments for the enterprise that the auditors' report concerns within the past two years and where these assignments are of such a nature that the auditor would basically be commenting on his or her own work or on the work of these other persons,
- 2) the auditor or other persons in the audit firm who are attached to the assignment or who are in a position to influence the outcome of the assignment have acted externally as a representative of the company or client that the assignment concerns in connection with legal disputes in the past two years, or
- 3) other persons than those mentioned in Section 2 (1), no. 1, cf. (2), who are directly or indirectly attached to the audit firm from which the statement is provided have or have had any relationships with the company that forms the subject matter of the auditors' report within the past two years and where these relationships are of such a nature that the auditor would have been prevented from providing a report if the auditor had himself or herself had a corresponding connection with the company.

Network

S. 7. The situations stated in Sections 2-4 and Section 6 shall also comprise persons in the audit firm's network who may exercise an influence on the performance of the assignment.

(2) The situation stated in Section 5 shall also comprise persons in the audit firm's network regardless of whether these persons may exercise an influence on the assignment.

(3) A network shall mean a large-scale structure,

- 1) which is aimed at co-operation and in which an auditor or an audit firm participates and
- 2) which is clearly aimed at profit or cost sharing or shares common ownership, control or management, common quality-control policies and procedures, a common business strategy, the use of a common brand-name or a significant part of the professional resources.

Penal Provisions

S. 8. Any violation of the provisions in Section 1, Section 3 and Section 4 shall be punishable by fine.
(2) Companies, etc. (legal entities) may incur criminal liability in pursuance of the rules in Part 5 of the Danish Penal Code.

Commencement

S. 9. The Executive Order shall enter into force on 1 July 2008.

The Danish Commerce and Companies Agency, 26 June 2008

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