

Statutory Corporate Governance Report 2016

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Statutory Corporate Governance Report for 2016,
cf. art. 107b of the Danish Financial Statements Act
Genmab A/S
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This Statutory Corporate Governance Report (the “Report”) covers the period 1 January – 31 December 2016 and is prepared pursuant to Article 107b of the Danish Financial Statements Act. The Report forms part of the management’s review in the Annual Report for 2016. This report is based on the Committee on Corporate Governance’s recommendations of May 2013 revised by November 2014 (the “Recommendations”) and should be interpreted in accordance with applicable stock exchange regulation.

Corporate Governance

Genmab works diligently to improve its guidelines and policies for corporate governance taking into account the recent trends in international and domestic requirements and recommendations. Genmab’s commitment to corporate governance is based on ethics and integrity and forms the basis of its effort to strengthen the confidence that existing and future shareholders, partners, employees and other stakeholders have in Genmab. The role of shareholders and their interaction with Genmab is important. Genmab acknowledges that open and transparent communication is necessary to maintain the confidence of Genmab’s shareholders and achieves this through company announcements, investor meetings and company presentations. Genmab is committed to providing reliable and transparent information about its business, development programs and scientific results in a clear and timely manner.

All Danish companies listed on Nasdaq Copenhagen A/S (“Nasdaq Copenhagen”) are required to disclose in their annual reports how they address the Recommendations applying the “comply-or-explain” principle.

Genmab follows the vast majority of the Recommendations, although specific sub-areas have been identified where Genmab’s corporate governance principles differ from the Recommendations:

- The Recommendations provide that according to a company’s takeover contingency procedures, the board of directors shall not attempt to counter a takeover bid without the acceptance of the general meeting. Genmab does not have such a restriction in its takeover contingency procedures and retains the right in certain circumstances to reject takeover bids without consulting the shareholders. Genmab believes this provides the Board of Directors with the needed flexibility to best respond to takeover bids and to negotiate with bidders. Actions will be determined on a case-by-case basis with due consideration to the interests of the shareholders and other stakeholders.
- The Recommendations provide that remuneration of the board members shall not include share options. However, Genmab’s remuneration of the board members includes restricted stock units (RSUs), which, like share options, are considered a form of equity compensation. Equity compensation constitutes a common part of the remuneration paid to members of the board of directors in competing international biotech companies. To remain competitive in the international market and to be able to attract and retain qualified members of the Board of Directors, it is considered in the best interest of Genmab to follow this practice, which we believe is aligned to serve the shareholders’ long-term interests. Following an amendment of the guidelines for incentive-based remuneration of the Board of Directors and Executive Management by the

general meeting in 2014, share options granted to board members may only be in the form of RSUs. To ensure the Board of Directors’ independence and supervisory function, the Board of Directors is considering amending the guidelines for incentive-based remuneration of the Board of Directors and Executive Management to specify that vesting of RSUs granted to members of the Board of Directors shall not be subject to fulfilment of forward-looking performance criteria.

- The Recommendations provide that share options should not be exercisable earlier than three years from the date of the grant. Warrants granted under Genmab’s 2004 warrant scheme and 2012 warrant scheme vest over a period of four years from the date of the grant. The warrant holder may only exercise 25% of the warrants granted per full year of employment or affiliation with Genmab after the grant date. RSUs are subject to a cliff vesting period and become fully vested after three years from the date of grant and comply with the Recommendations. The Board of Directors is considering making future warrant grants subject to three years cliff vesting.
- The Recommendations provide that Genmab, in exceptional cases, should be able to reclaim variable components of remuneration. It is, however, Genmab’s assessment that a claim to repayment, in whole or in part, of variable components of remuneration, which have been paid on the basis of information later proven incorrect, should be based on the general Danish legal principles.

¹ In Danish “Lovpligtig redegørelse for virksomhedsledelse jf. årsregnskabslovens § 107 b”

THE WORK AND COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors meets for at least four scheduled meetings during the year. During 2016, the Board of Directors held eight meetings, in addition to the informal ongoing communication between the board members and the Executive Management. Board duties include establishing policies for strategy, accounting, organization and finance, and the appointment of executive officers. The Board of Directors is elected partly by the General Meeting and partly by the employees of Genmab and its subsidiaries. Members of the Board of Directors elected by the shareholders at the General Meeting are elected for one-year terms whereas members elected by the employees of the Genmab group are elected for three-year terms.

The Board of Directors plays an active role within Genmab in setting the strategies and goals for Genmab and monitoring the operations and results of Genmab. The Board of Directors also assesses Genmab's capital and share structure and is responsible for approving share issues and the grant of warrants and RSUs. Relevant knowledge and professional experience are key parameters when nominating board members.

Members may stand for re-election for successive terms. The Board of Directors shall consist of not less than three and no more than nine members elected by the General Meeting.

The Board of Directors currently has eight members, five of whom are elected by shareholders at the General Meeting and three by employees in the Genmab group. The term of the five members elected by shareholders will expire in 2017 in accordance with the one-year election term stipulated in Clause 12(2) of Genmab's Articles of Association. The term of the three members elected by the employees will expire in 2019 in accordance with the three-year election term stipulated in Clause 12(3) of Genmab's Articles of Association.

The following members have been elected to the Board of Directors:

- Mats Pettersson (Chairman)
- Anders Gersel Pedersen (Deputy chairman)
- Burton G. Malkiel (Member)
- Pernille Erenbjerg (Member)
- Paolo Paoletti (Member)
- Peter Storm Kristensen (Member – employee elected)
- Rick Hibbert (Member – employee elected)
- Daniel J. Bruno (Member – employee elected)

In August 2016, the Board of Directors appointed Rolf Hoffmann as a board observer. As a board observer, Rolf Hoffmann has participated in board meetings during 2016, but as he is not a member of the Board of Directors, he has not been able to participate in any votes taken by the Board of Directors.

BOARD COMMITTEES

To support the Board of Directors in its duties, the Board of Directors has established and appointed a Compensation Committee, an Audit Committee and a Nominating and Corporate Governance Committee. These committees are charged with reviewing issues pertaining to their respective fields that are due to be considered at board meetings. Written charters specifying the tasks and responsibilities for each of the committees are available on Genmab's website www.genmab.com.

Audit Committee

The Audit Committee shall meet at least quarterly, or more frequently as circumstances dictate. During 2016, the Audit Committee held four meetings. The charter of the Audit Committee provides that the Audit Committee shall assist the Board of Directors with respect to the Board of Directors' responsibilities to ensure the effectiveness of the internal controls over financial reporting and risk management system as well as compliance with legal and regulatory requirements. The

Audit Committee shall furthermore assist the Board of Directors with the oversight of the financial reporting process to ensure the quality, transparency and integrity of the published financial information. In addition, the Audit Committee shall assist the Board of Directors with the oversight of the independent auditor process including recommending the appointment and assessing the performance and qualifications of the independent auditor and related fees. Genmab's independent auditors will meet with the Audit Committee at least once per year and report on matters arising from their audit work. During 2016 the Audit Committee had four meetings with the auditors.

In March 2016 the Board of Directors elected the following members to the Audit Committee:

- Pernille Erenbjerg (Chairman)
- Mats Pettersson (Member)
- Burton G. Malkiel (Member)

Compensation Committee

The Compensation Committee shall meet at least twice a year. During 2016, the Compensation Committee held two meetings. The charter for the Compensation Committee provides that the role of the Compensation Committee is to assist the Board of Directors with respect to the Board of Directors' responsibilities relating to compensation of the Executive Management and to oversee and advise the Board of Directors on the adoption of policies that govern Genmab's compensation programs, including warrant and benefit plans. The Compensation Committee makes recommendations to the Board of Directors regarding specific remuneration packages for each of the members of the Board of Directors as well as the Executive Management, including pension rights and any compensation payments.

In March 2016 the Board of Directors elected the following members to the Compensation Committee:

- Anders Gersel Pedersen (Chairman)
- Mats Pettersson (Member)
- Paolo Paoletti (Member)

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee shall meet at least twice a year and otherwise as the Committee deems appropriate. During 2016, the Nominating and Corporate Governance Committee held two meetings. The Charter for the Nominating and Corporate Governance Committee provides that the role of the Nominating and Corporate Governance Committee is to identify, review, evaluate and recommend to the full Board of Directors candidates to serve as Genmab's board members as well as to make recommendations to the Board of Directors regarding affairs relating to Genmab's board members including whether existing board members should be re-nominated. In addition, the Nominating and Corporate Governance Committee serves as a focal point for communication between candidates, non-committee board members and the Executive Management. The Nominating and Corporate Governance Committee shall furthermore evaluate the composition of Genmab's board committees and recommend board committee candidates to the Board of Directors. The Nominating and Corporate Governance Committee also administers and oversees all aspects of our corporate governance and makes recommendations to the Board of Directors regarding corporate governance issues.

In March 2016 the Board of Directors elected the following members to the Nominating and Corporate Governance Committee:

- Mats Pettersson (Chairman)
- Anders Gersel Pedersen (Member)
- Pernille Erenbjerg (Member)

EXECUTIVE MANAGEMENT

The Executive Management is responsible for the day-to-day management of Genmab's activities including all assignments that rest upon the Executive Management according to the Board of Directors and under Danish law.

Executive Management consists of the following members:

- Jan G.J. van de Winkel (President and Chief Executive Officer)
- David A. Eatwell (Executive Vice President and Chief Financial Officer)
- Judith Klimovsky (Executive Vice President and Chief Development Officer, as per February 13, 2017)

DESCRIPTION OF MANAGEMENT REPORTING SYSTEMS AND INTERNAL CONTROL SYSTEMS

As a publicly listed company, Genmab is required to have established procedures which provide a reasonable basis for management to make proper judgments as to Genmab's financial position. The Board of Directors and the Executive Management have the overall responsibility for Genmab's internal control and risk management systems in connection with financial reporting.

Genmab has utilized a top-down risk based approach to comply with the EU directives on corporate governance, internal controls and risk management (EURO SOX) in which skilled employees from finance, operations and IT work closely together to ensure that the appropriate business processes and technology elements are reviewed. The overall framework and approach are based on COSO (Committee of Sponsoring Organizations).

The Board of Directors and Executive Management have established overall standards and guidelines to identify and monitor the risk that a significant error could occur in connection with the financial reporting and have put procedures in place to ensure significant errors are prevented, detected and corrected. Genmab's internal control and risk management systems are updated on an ongoing basis. Accordingly, Genmab has documented and designed an effective internal control environment providing reasonable assurance that Genmab's financial reporting is timely, reliable and in accordance with IFRS.

The standards and guidelines include among others:

- Formalized annual budget, forecasting and projection procedures;
 - Regular management reporting including:
 - Financial performance and financial position including analysis of cash flow and finance structure;
 - The comparison of budget, prior-year and actual performance;
 - Project management and cost control, identification of responsible project managers and regular project reporting and follow-up;
 - Review of potential claims and litigation;
 - Contract and collaboration agreement review and maintenance to ensure that all commitments, liabilities, and income are recorded; and
 - Review of critical accounting policies and estimates;
 - Schedule of Authorizations to ensure that receipts and expenditures of Genmab are made only in accordance with authorizations of management and directors of Genmab;
 - A group control function to monitor the monthly financial reporting and performance of subsidiaries and the group. The subsidiaries have their own controllers with extensive business and financial experience and in-depth knowledge of the individual subsidiary;
 - Detailed controls to ensure the completeness and accuracy of the accounting records of the Genmab Group including requirements for appropriate segregation of duties, requirements for the reconciliations and monitoring of transactions and documentation of controls and procedures; and
 - Detailed controls and procedures to ensure all reporting to Nasdaq Copenhagen are accurately and consistently presented in a timely manner in accordance with applicable stock exchange rules.
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The compliance with group standards is supported by periodic reviews of both the parent company and subsidiaries' controls and procedures. The results of the reviews are discussed with local management and summaries are submitted to the Audit Committee.

To ensure compliance with applicable laws and stock exchange requirements, it is Genmab's policy that all disclosures made by Genmab to its shareholders or the investment community should be made on a timely basis and should be accurate, relevant and clear and fairly represent Genmab's actual situation. To this end, Genmab's Disclosure Committee assists

the Board of Directors and the Executive Management in fulfilling their responsibility for oversight of the accuracy and timeliness of the disclosures made by Genmab.

February 22, 2017

GENMAB COMPLIES

RECOMMENDATION

YES 

NO 

GENMAB COMPLIES/DOES NOT COMPLY WITH THE RECOMMENDATION DUE TO THE FOLLOWING REASON:

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

1.1 Dialogue between company, shareholders and other stakeholders

1.1.1 **THE COMMITTEE RECOMMENDS** that the board of directors ensure ongoing dialogue between the company and its shareholders in order for the shareholders to gain relevant insight into the company's potential and policies, and in order for the board of directors to be aware of the shareholders' views, interests and opinions on the company.



Genmab communicates regularly to the shareholders via Nasdaq Copenhagen in the form of company announcements and investor news. Further, Genmab communicates through newsletters and updated information on Genmab's website.

Genmab is further in dialogue with its shareholders by participating in investor meetings and company presentations, allowing the individual shareholders to meet and communicate. The insight of the Board of Directors in this dialogue is ensured through the on-going communication between the Board of Directors and the Executive Management.

A detailed list of all company announcements is provided in the Annual Report and on Genmab's website.

1.1.2. **THE COMMITTEE RECOMMENDS** that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders and other investors, and that the board ensures that the interests of the shareholders are respected in accordance with company policies.



According to the Rules of Procedure for the Board of Directors, the identification of Genmab's key stakeholders and their main interests in relation to Genmab is among the specific duties performed by the Board of Directors.

According to the Rules of Procedure for the Board of Directors, the Board of Directors has established guidelines in accordance with legal requirements governing the release of information by public companies.

Genmab has an Investor Relation Policy on its website and the Board of Directors has adopted a Code of Business Ethics to ensure, amongst others, that the business at Genmab is carried out in accordance with Genmab's company core values.

1.1.3. **THE COMMITTEE RECOMMENDS** that the company publish quarterly reports.



Genmab complies with this recommendation.

GENMAB COMPLIES

RECOMMENDATION

YES 

NO 

GENMAB COMPLIES/DOES NOT COMPLY WITH THE RECOMMENDATION DUE TO THE FOLLOWING REASON:

1.2. General Meeting

1.2.1. **THE COMMITTEE RECOMMENDS** that, when organizing the company's general meeting, the board of directors plans the meeting to support active ownership.



Genmab calls for the General Meeting with sufficient notice and with a detailed agenda. Also, notice is sent by ordinary mail or electronic mail to all shareholders entered in Genmab's Register of Shareholders having so requested.

In addition, Genmab aims to hold the Annual General Meeting at an accessible location and at a convenient time to ensure easy access thereto.

The Board of Directors has resolved that the Annual General Meeting shall be conducted by physical attendance and not as either a partly or entirely electronic meeting.

1.2.2. **THE COMMITTEE RECOMMENDS** that proxies granted for the general meeting allow shareholders to consider each individual item on the agenda.



Proxies may be given to the Board of Directors in general or with respect to each individual item on the agenda for the General Meeting.

1.3 Takeover bids

1.3.1. **THE COMMITTEE RECOMMENDS** 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. According to such contingency procedures, 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.



Genmab's Nominating and Corporate Governance Committee has drawn up a takeover memorandum and guidelines, including contingency procedures, which are reviewed annually by the Board of Directors.

Genmab retains the right in certain circumstances to reject takeover bids without consulting the shareholders. Genmab believes this provides the Board of Directors with the needed flexibility to best respond to takeover bids and to negotiate with bidders. Actions will be determined on a case-by-case basis with due consideration to the interests of the shareholders and other stakeholders.

GENMAB COMPLIES

RECOMMENDATION

YES 

NO 

GENMAB COMPLIES/DOES NOT COMPLY WITH THE RECOMMENDATION DUE TO THE FOLLOWING REASON:

2. Tasks and Responsibilities of the Board of Directors

2.1. Overall tasks and responsibilities

2.1.1. **THE COMMITTEE RECOMMENDS** that at least once a year the board of directors take a position on the matters related to the board's performance of its responsibilities.



The Board of Directors defines its most important tasks in accordance with the Rules of Procedure for the Board of Directors as well as Genmab's overall strategic goals and value creation at least once every year. An annual plan has been set up to ensure appropriate time for such discussions. The key objectives of Genmab and progress thereon are accounted for in the Interim Reports.

The Board of Directors further discusses and ensures, in accordance with the Rules of Procedure for the Board of Directors, that the capital resources are adequate in relation to the operation of Genmab.

Charters have been adopted for the board committees which address the specific tasks and responsibilities of each such committee. The details of evaluations made by these committees are reported to the Board of Directors.

The Board of Directors reviews the Rules of Procedure for the Board of Directors annually to ensure that they are adequate and always match the activities and needs of Genmab.

2.1.2. **THE COMMITTEE RECOMMENDS** that at least once a year the board of directors take a position on the overall strategy of the company with a view to ensuring value creation in the company.



The Board of Directors reviews and determines Genmab's overall strategy and objectives at least once every year.

2.1.3. **THE COMMITTEE RECOMMENDS** that the board of directors ensure that the company has a capital and share structure ensuring that the strategy and long-term value creation of the company are in the best interest of the shareholders and the company, and that the board of directors presents this in the management commentary on the company's annual report and/or on the company's website.



In accordance with the Rules of Procedure for the Board of Directors, the Board of Directors, among other things, assesses whether Genmab's overall financial position and capital resources are at all times appropriate in relation to the operation of Genmab and ensure that adequate risk management have been established. The Annual Report contains information on this assessment in the section Risk Management in the management commentary (also referred to herein as the "Management's Review") and in note 4.1 and 4.2.

GENMAB COMPLIES

RECOMMENDATION

YES 

NO 

GENMAB COMPLIES/DOES NOT COMPLY WITH THE RECOMMENDATION DUE TO THE FOLLOWING REASON:

2.1.4. **THE COMMITTEE RECOMMENDS** that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board on timely, accurate and adequate reporting to the board of directors.



The Guidelines for Allocation of Powers between the Board of Directors and the Executive Management are reviewed annually by the Board of Directors to ensure, among others, that requirements for the Executive Management's timely, accurate and adequate reporting to, and communication with, the Board of Directors have been established.

2.1.5. **THE COMMITTEE RECOMMENDS** that at least once a year the board of directors discuss the composition of the executive board, as well as developments, risks and succession plans.



The Board of Directors discusses the composition of the Executive Management, as well as developments, risks and succession plans at least once a year.

2.1.6. **THE COMMITTEE RECOMMENDS** that once a year the board of directors discuss the company's activities to ensure relevant diversity at management levels, including setting specific goals and accounting for its objectives and progress made in achieving the objectives in the management commentary on the company's annual report and/or on the website of the company.



The Board of Directors regularly discusses Genmab's activities to ensure diversity and gives an account in the Management's Review in the Annual Report and on the website on how diversity is achieved.

Employment in Genmab is based on merit and is offered independent of race, color, ethnic, national or social origin, gender, religion, age, handicap, political opinion or sexual orientation.

Genmab is convinced that a workforce with a high degree of diversity is a key prerequisite for innovation and a significant value for a successful international company. Genmab interprets diversity broadly to include, among others, social, educational and cultural background as well as national origin and gender.

The Annual Report contains information on the age, nationality, educational background and gender of each board member, the Executive Management, and key employees in the Management's Review.

In March 2013, Genmab adopted a target figure for women in the Board of Directors according to which it is the aim of the Board of Directors that the proportion of female board members elected by the General Meeting is increased to at least 25% within a three year period.

The Board of Directors currently has one female board member (corresponding to 20% of the board members elected by the General Meeting) and Genmab therefore continues to work towards its 2016 goal of increasing the proportion of General Meeting elected female board directors to at least 25%. The Board of Directors will continue its efforts to

GENMAB COMPLIES

RECOMMENDATION

YES 

NO 

GENMAB COMPLIES/DOES NOT COMPLY WITH THE RECOMMENDATION DUE TO THE FOLLOWING REASON:

ensure a balanced slate of male and female candidates is considered when board vacancies become available, while at the same time ensuring that the most qualified candidates are being nominated for election.

Genmab has further adopted a policy regarding the proportion of gender in other management levels of the Genmab group according to which it is the aim that both genders attain a representation at management levels of at least 40%.

For more information on the composition of employees, diversity and company policies, reference is made to Genmab's Statutory Report on Corporate Social Responsibility for the Financial Year 2016: <http://ir.genmab.com/csr.cfm>.

2.2. Corporate social responsibility

2.2.1. **THE COMMITTEE RECOMMENDS** that the board of directors adopt policies on corporate social responsibility



The Board of Directors has adopted a Corporate Social Responsibility strategy. This strategy is available on Genmab's website.

2.3. Chairman and vice-chairman of the board of directors

2.3.1. **THE COMMITTEE RECOMMENDS** 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 appointed a Deputy Chairman of the Board of Directors who shall exercise the authority of the Chairman when the Chairman is absent and act as an effective sparring partner for the Chairman.

2.3.2. **THE COMMITTEE RECOMMENDS** ensuring that, if the board of directors, in exceptional cases, asks the chairman of the board of directors to perform special operating activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect be passed to ensure that the board of directors maintains its independent, overall management and control function. Resolutions on the chairman's participation in day-to-day management and the expected duration hereof should be published in a company announcement.



The Board of Directors has not so far asked the Chairman to perform special tasks for Genmab.

Should the Board of Directors ask the Chairman to perform such special tasks for Genmab, Genmab will comply with the recommendation.

GENMAB COMPLIES

RECOMMENDATION

YES 

NO 

GENMAB COMPLIES/DOES NOT COMPLY WITH THE RECOMMENDATION DUE TO THE FOLLOWING REASON:

3. Composition and Organisation of the Board of Directors

3.1. Composition

3.1.1. **THE COMMITTEE RECOMMENDS** that the board of directors annually accounts for



- the skills it must have to best perform its tasks,
- the composition of the board of directors, and
- the special skills of each member

The Nominating and Corporate Governance Committee evaluates the skills the Board of Directors must have to best perform its tasks, as well as the skills, knowledge and experience of the individual members of the Board of Directors, as well as the balance thereof, on an ongoing basis. The details of this evaluation are reported to the Board of Directors at least annually. Proposals for the nomination/replacement of members of the Board of Directors are prepared in the light hereof and in accordance with the description of competences etc. in the Nominating and Corporate Governance Committee Charter.

The skills that the Board of Directors must have to best perform its tasks as well as the special skills of the individual board members are accounted for in the Annual Report. The special skills of the individual board members are further accounted for on Genmab's website.

A description of the composition of the Board of Directors and board functions and special competences of each board member is included in the first part of this Report.

3.1.2. **THE COMMITTEE RECOMMENDS** that the selection and nomination of candidates for the board of directors be carried out through a thoroughly transparent process approved by the overall board of directors. When assessing its composition and nominating new candidates, the board of directors must take into consideration the need for integration of new talent and diversity in relation to age, international experience and gender



The Nominating and Corporate Governance Committee aims to continuously hold a broad composition of the Board of Directors containing members with relevant knowledge and experience in biotechnology, commercialization, financial and managerial aspects relevant to Genmab's business. The Board of Directors' professional experience and the use of external advisors are generally believed to be adequate to ensure that the recruitment criteria are appropriate and that the best suited candidates are identified with due consideration of the target figure set by the Board of Directors.

The Board of Directors is aware of the importance of having the necessary skills in place among its members and discusses these aspects in connection with its annual evaluation of the performance of the Board of Directors and its individual members.

GENMAB COMPLIES

RECOMMENDATION

YES 

NO 

GENMAB COMPLIES/DOES NOT COMPLY WITH THE RECOMMENDATION DUE TO THE FOLLOWING REASON:

3.1.3. **THE COMMITTEE RECOMMENDS** that the notice convening the general meeting when election of members to the board of directors is on the agenda be accompanied by a description of the nominated candidates' qualifications, including information about the candidates'



- other executive functions, among these memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises
- demanding organizational tasks, and information about
- whether candidates to the board of directors are considered independent

In accordance with the Rules of Procedure for the Board of Directors the notice of the General Meeting to elect members is accompanied by a description of the background of the nominated candidates. This includes information on other executive functions and demanding organizational tasks, if any.

The names of the board members who are regarded as independent persons are listed in the Annual Report. Also, the notice of the General Meeting contains information on whether new candidates for the Board of Directors are considered independent persons.

3.1.4. **THE COMMITTEE RECOMMENDS** that the company's articles of association stipulate a retirement age for members of the board of directors.



According to Genmab's Articles of Association, no individual can be member of the Board of Directors after the first Annual General Meeting in the calendar year in which such person reaches the age of 75 years unless the General Meeting, as previously, adopts an exception to this rule.

The Annual Report contains information on the age of each board member in the section Board of Directors.

3.1.5. **THE COMMITTEE RECOMMENDS** that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.



According to Genmab's Articles of Association, General Meeting elected board members are up for re-election every year.

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 member of the executive board, or senior staff member in the company, a subsidiary undertaking or an associate,
- within the past five years, have received larger emoluments from the company/group, a subsidiary undertaking or an associate in another capacity than as member of the board of directors,
- represent the interests of a controlling shareholder,

Currently, four of the five members of the Board of Directors elected by the General Meeting are considered independent persons in accordance with the definition. As Anders Gersel Pedersen was first elected in November 2003, he has been a member of the Board of Directors for more than 12 years and is thus technically no longer considered independent under the Committee's definition.

The three board members elected by Genmab employees are not considered to be independent persons.

GENMAB COMPLIES

YES 

NO 

GENMAB COMPLIES/DOES NOT COMPLY WITH THE RECOMMENDATION DUE TO THE FOLLOWING REASON:

RECOMMENDATION

- within the past year, have had significant business relations (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management in companies with corresponding connection) with the company, a subsidiary undertaking or an associate.
- be or within the past three years have been employed or partner at the external auditor,
- have been chief executive in a company holding cross-memberships with the company,
- have been member of the board of directors for more than 12 years, or
- have been close relatives with persons who are not considered independent.

3.3. Members of the board of directors and the number of other executive functions

3.3.1. **THE COMMITTEE RECOMMENDS** that each member of the board of directors assesses the expected time commitment for each function in order that the member does not take on more functions than he/she can manage satisfactorily for the company.



The individual board members and the Nominating and Corporate Governance Committee assess and determine this on a case-by-case.

3.3.2. **THE COMMITTEE RECOMMENDS** 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:



- the position of the relevant person,
- the age and gender of the relevant person,
- whether the member is considered independent,
- the date of appointment to the board of directors of the member,
- expiry of the current election period,
- other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises and
- demanding organizational tasks, and
- the number of shares, options, warrants and similar in the company, and other group companies of the company, owned by the member, as well as changes in the portfolio of the member of the securities mentioned which have occurred during the financial year.

The name, age, and gender of each board member are listed in the Annual Report. Also, the Annual Report contains information on whether the board member is considered independent, the board member's board positions in other companies as well as the board members' occupation and demanding organizational tasks in the section Board of Directors. Information on holdings of shares, warrants etc. and any changes in such holdings during the year is provided in note 5.1 in the Annual Report.

Genmab has not established rules with respect to the number of board positions outside of Genmab that each board member is allowed to hold. It is considered that the individual board members and the Nominating and Corporate Governance Committee will be able to determine this on a case-by-case basis as no general guidelines can be made for the workload associated with such positions.

Currently, Genmab's Annual Report states in the section Board of Directors

GENMAB COMPLIES

RECOMMENDATION

YES 

NO 

GENMAB COMPLIES/DOES NOT COMPLY WITH THE RECOMMENDATION DUE TO THE FOLLOWING REASON:

when the individual members joined the Board of Directors, how long they have served, and when their election periods expire.

3.4. Board committees

3.4.1. **THE COMMITTEE RECOMMENDS** that the company publish the following on the company’s website:



- the terms of reference of the board committees,
- the most important activities of the committees during the year, and the number of meetings held by each committee, and
- the names of the members of each committee, including the chairmen of the committees, as well as information on which members are independent members and which members have special qualifications.

The Board of Directors has established three committees; the Compensation Committee, the Audit Committee, and the Nominating and Corporate Governance Committee. The first part of this Report contains detailed information of the board committees.

During 2016, the Compensation Committee held two meetings, the Audit Committee held four meetings and the Nominating and Corporate Governance Committee held two meetings.

Charters for Genmab’s board committees are available at Genmab’s website:

[Compensation Committee Charter](#)

[Audit Committee Charter](#)

[Nominating and Corporate Governance Committee Charter](#)

3.4.2. **THE COMMITTEE RECOMMENDS** that a majority of the members of a board committee be independent



Currently, a majority of the members of all three board committees are considered independent. None of the employee elected board members are elected to the committees.

3.4.3. **THE COMMITTEE RECOMMENDS** that the board of directors set up a formal audit committee composed such that



- the chairman of the board of directors is not chairman of the audit committee, and
- between them, the members should possess such expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit aspects of companies whose shares are admitted to trading on a regulated market.

Genmab’s Board of Directors has established an Audit Committee.

In accordance with the Audit Committee Charter, the Chairman of the Board of Directors is not Chairman of the Audit Committee.

The members of the Audit Committee are:

- Pernille Erenbjerg (independent member and Chairman of the Audit Committee with broad business experience from the telecoms industry and comprehensive all round background within finance)
- Mats Pettersson (independent member with extensive experience from international research-based biotech and pharmaceutical companies as well as significant board, executive management and business development experience)
- Burton G. Malkiel (independent member with extensive expertise in

GENMAB COMPLIES

RECOMMENDATION

YES 

NO 

GENMAB COMPLIES/DOES NOT COMPLY WITH THE RECOMMENDATION DUE TO THE FOLLOWING REASON:

economics and finance, particular relating to securities valuation and corporate finance)

3.4.4. **THE COMMITTEE RECOMMENDS** that, prior to the approval of the annual report and other financial reports, the audit committee monitors and reports to the board of directors about:



- significant accounting policies,
- significant accounting estimates,
- related party transactions, and
- uncertainties and risks, including in relation to the outlook for the current year.

In accordance with the Audit Committee Charter, the Audit Committee reports to the Board of Directors about significant accounting policies and estimates as well as related party transactions, uncertainties and risks, including in relation to the outlook.

3.4.5. **THE COMMITTEE RECOMMENDS** that the audit committee:



- annually assesses the need for an internal audit, and in such case, makes recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, and
- monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function.

Due to the current size of Genmab and the business structure, the Board of Directors has decided not to establish an internal audit in 2016.

3.4.6. **THE COMMITTEE RECOMMENDS** that the board of directors establish a nomination committee chaired by the chairman of the board of directors with at least the following preparatory tasks:



- describe the qualifications required by the board of directors and the executive board, and for a specific membership, state the time expected to be spent on having to carry out the membership, as well as assess the competences, knowledge and experience of the two governing bodies combined,
- annually assess the structure, size, composition and results of the board of directors and the executive board, as well as recommend any changes to the board of directors,
- annually assess the competences, knowledge and experience of the individual members of management, and report to the board of directors in this respect,
- consider proposals from relevant persons, including shareholders and members of the board of directors and the executive board for candidates for the board of directors and the executive board, and
- propose an action plan to the board of directors on the future

The Nominating and Corporate Governance Committee Charter prescribes that this committee shall evaluate, at least annually, (i) the size, performance, authority, operations, charter and composition of the Executive Management and the Board of Directors, including each standing board committee and (ii) the performance of each Executive Management, Board of Directors and committee member and (iii) recommend to the Board of Directors any changes considered appropriate in the size, authority, operations, charter or composition of the Executive Management, the Board of Directors and the committees.

The Nominating and Corporate Governance Committee Charter prescribes the establishment of a process for the periodic review and assessment of the performance of the Board of Directors and board committees. During this process the committee seeks input from the Executive Management, the full Board of Directors and others, including whether, individually and collectively, the members of the Board of Directors provide the skills, knowledge and expertise appropriate for Genmab.

GENMAB COMPLIES

RECOMMENDATION

YES 

NO 

GENMAB COMPLIES/DOES NOT COMPLY WITH THE RECOMMENDATION DUE TO THE FOLLOWING REASON:

composition of the board of directors, including proposals for specific changes.

The members of the Nominating and Corporate Governance Committee are:

- Mats Pettersson (Chairman of the Nominating and Corporate Governance Committee; details provided under item 3.4.3)
- Anders Gersel Pedersen (non-independent member with considerable business and management experience in pharmaceutical industry, including expertise in clinical research, development, regulatory affairs and product life cycle management)
- Pernille Erenbjerg (details provided under item 3.4.3)

3.4.7. **THE COMMITTEE RECOMMENDS** that the board of directors establish a remuneration committee with at least the following preparatory tasks:



- to recommend 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,
- make proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensure 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 about the total amount of remuneration that members of the board of directors and the executive board receive from other companies in the group, and
- recommend a remuneration policy applicable for the company in general.

In accordance with the Compensation Committee Charter the committee shall:

- Make proposals, for the approval of the Board of Directors prior to approval at the general meeting, on the compensation policy, including the overall principles of incentive pay schemes, for members of the Board of Directors and the Executive Management. The Committee should ensure that it receives information about the total amount of compensation that members of the Board of Directors and the Executive Management receive from other companies in the group.
- Review and make recommendations to the entire Board of Directors regarding the compensation structure for the Executive Management and members of the Board of Directors. Such recommendations shall be consistent with Genmab's compensation policy and the evaluation of the performance of the persons concerned.
- Oversee that the information in the Annual Report on the compensation of the Board of Directors and the Executive Management is correct, true and sufficient.

The members of the Compensation Committee are:

- Anders Gersel Pedersen (Chairman of the Compensation Committee; details provided under item 3.4.6)
- Mats Pettersson (details provided under item 3.4.3)
- Paolo Paoletti (independent member with extensive experience in research, development and commercialization in the pharmaceutical industry)

GENMAB COMPLIES

RECOMMENDATION

YES 

NO 

GENMAB COMPLIES/DOES NOT COMPLY WITH THE RECOMMENDATION DUE TO THE FOLLOWING REASON:

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.



According to the Compensation Committee Charter, the committee shall not consult with the same external advisers as the Executive Management.

3.5. Evaluation of the performance of the board of directors and the executive board

3.5.1. **THE COMMITTEE RECOMMENDS** that the board of directors establish an evaluation procedure where contributions and results of the board of directors and the individual members, as well as collaboration with the executive board are annually evaluated. Significant changes deriving from the evaluation should be included in the management commentary or on the company's website.



No less than once a year the Board of Directors evaluates its performance and achievements as well as the individual board members' respective work and results.

The Chairman of the Board of Directors ensures that the Board of Directors performs regular assessments of its own performance to verify that the Board of Directors is capable of fulfilling its function and responsibilities, and that the outcome of such evaluations are discussed with the Board of Directors. Furthermore, the Board of Directors performs regular assessments of the Executive Management and of the collaboration between the parties to identify any areas in potential need of improvement. The collaboration is based on a natural element of control, but it is also characterized by interaction and teamwork for the purpose of developing and advancing Genmab. As Genmab is an innovative and dynamic company, it is especially important for the Board of Directors to liaise actively with the Executive Management in a respectful and trusting manner.

The outcome of the Board of Directors' 2016 self-assessment was positive with only minor areas for improvement identified. Overall, there was a high degree of satisfaction with the planning, content and implementation of the meetings, and it was the general impression that the output of the meetings was of high quality. There was agreement that the skills and expertise of the present board members were comprehensive and sufficient, but that the Board of Directors should further strengthen the Board of Directors with commercial expertise within the oncology field to be able to reflect the future strategic development of Genmab. The Board of Directors is thus considering establishing a Scientific Committee to assist and advise the Board of Directors in matters relating to Genmab's research & development strategy. It was further concluded that the collaboration with the Executive Management is good and productive and

GENMAB COMPLIES

RECOMMENDATION

YES 

NO 

GENMAB COMPLIES/DOES NOT COMPLY WITH THE RECOMMENDATION DUE TO THE FOLLOWING REASON:

3.5.2. **THE COMMITTEE RECOMMENDS** that in connection with preparation of the general meeting, the board of directors consider whether the number of members is appropriate in relation to the requirements of the company. This should help ensure a constructive debate and an effective decision-making process in which all members are given the opportunity to participate actively.



that an excellent relation exists between the Executive Management and the Board of Directors.

Genmab's Articles of Association prescribes a board of directors of three to nine members elected by the General Meeting. The Board of Directors currently comprises five members elected by the General Meeting and three employee-elected members.

The size of the Board of Directors is reviewed annually by the Nominating and Corporate Governance Committee. The details of this evaluation are reported to the Board of Directors.

According to the Charter for the Nominating and Corporate Governance Committee, the committee has the authority to propose to the full Board of Directors policies on the size and composition of the Board of Directors. Each year in connection with the preparation for the Annual General Meeting the committee considers whether the number of board members is appropriate.

3.5.3. **THE COMMITTEE RECOMMENDS** that at least once every year the board of directors evaluate the work and performance of the executive board in accordance with predefined clear criteria.



One of the responsibilities of the Compensation Committee is to oversee an evaluation of the performance of the Executive Management, to review goals and objectives of the Executive Management and to evaluate Executive Management's performance in light of these corporate objectives.

3.5.4. **THE COMMITTEE RECOMMENDS** that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalized 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.



The Executive Management and the Board of Directors have ongoing close collaboration and there are regular discussions/meetings between the CEO and the Chairman of the Board of Directors.

The Chairman of the Board of Directors sees to that the collaboration between the Board of Directors and the Executive Management is evaluated annually at a meeting between Genmab's CEO and the Chairman of the Board of Directors and that the outcome of such meeting is presented to the Board of Directors.

GENMAB COMPLIES

RECOMMENDATION

YES 

NO 

GENMAB COMPLIES/DOES NOT COMPLY WITH THE RECOMMENDATION DUE TO THE FOLLOWING REASON:

4. Remuneration of management

4.1. Form and content of the remuneration policy

4.1.1. **THE COMMITTEE RECOMMENDS** that the board of directors prepare a clear and transparent remuneration policy for the board of directors and the executive board, including



- 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, and
- a description of the criteria on which the balance between the individual components of the remuneration is based.

The remuneration policy should be approved by the general meeting and published on the company's website.

General Guidelines for Incentive Programs (the "Incentive Guidelines") has been adopted by the Annual General Meeting pursuant to the Danish Companies Act.

The Incentive Guidelines contain an exhaustive description of the remuneration components for members of the Board of Directors and the Executive Management and includes the reasons for choosing the individual components of the remuneration and a description of the criteria on which the balance between the individual components of the remuneration is based.

In accordance with the Incentive Guidelines the Board of Directors may change or terminate one or more incentive programs introduced thereunder. Any more far-reaching changes to these guidelines are subject to approval by the General Meeting.

The latest version can be downloaded from Genmab's website:
[Incentive Guidelines](#)

The Incentive Guidelines is further mentioned in the Management's Review and in the Corporate Governance section in the Annual Report.

4.1.2. **THE COMMITTEE RECOMMENDS** that, if the remuneration policy includes variable components,

- limits be set on the variable components of the total remuneration package,
- a reasonable and balanced linkage be ensured between remuneration for governing body members, expected risks and the value creation for shareholders in the short and long terms,
- there be clarity about performance criteria and measurability for award of variable components,
- there be criteria ensuring that qualifying periods for variable components in remuneration agreements are longer than one



Genmab follows this recommendation with the exception of access to reclaim of remuneration paid on the basis of data, which proved to be misstated. It is Genmab's assessment that a claim to repayment, in whole or in part, of variable components of remuneration, which have been paid on the basis of information later proven misstated, should be based on the general Danish legal principles.

GENMAB COMPLIES

YES 

NO 

GENMAB COMPLIES/DOES NOT COMPLY WITH THE RECOMMENDATION DUE TO THE FOLLOWING REASON:

RECOMMENDATION

- calendar year, and
- an agreement is made which, in exceptional cases, entitles the company to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be misstated.

4.1.3. **THE COMMITTEE RECOMMENDS** that remuneration of members of the board of directors does not include share options.



Genmab’s remuneration of the board members includes restricted stock units (RSUs), which, like share options, are considered a form of equity compensation. Equity compensation constitutes a common part of the remuneration paid to members of the board of directors in competing international biotech companies and to remain competitive in the international market and to be able to attract and retain qualified members of the Board of Directors, it is considered in the best interest of Genmab to follow this practice, which we believe is aligned to serve the shareholders’ long-term interests. Following an amendment of the guidelines for incentive-based remuneration of the Board of Directors and Executive Management by the general meeting in 2014, share-options granted to board members may only be in the form of RSUs. To ensure the Board of Directors’ independence and supervisory function, the Board of Directors is considering amending the guidelines for incentive-based remuneration of the Board of Directors and Executive Management to specify that vesting of RSUs granted to members of the Board of Directors shall not be subject to fulfilment of forward-looking performance criteria.

4.1.4. **THE COMMITTEE RECOMMENDS** that if share-based remuneration is provided, such programs be established as roll-over programs, i.e. the options are granted periodically and should have a maturity of at least three years from the date of allocation.



Genmab’s warrants vest over a period of four years. The warrant holder may, as a general rule, only exercise 25% of the warrants granted per full year of employment or affiliation with Genmab after the grant date. RSUs are subject to a cliff vesting period and become fully vested after three years from the date of grant and comply with the Recommendations. The Board of Directors is considering making future warrant grants subject to three years cliff vesting.

4.1.5. **THE COMMITTEE RECOMMENDS** that agreements on termination payments should not amount to more than two years’ annual remuneration.



Genmab complies with this recommendation. Termination payments are mentioned in Genmab’s Annual Report in note 5.1.

GENMAB COMPLIES

RECOMMENDATION

YES 

NO 

GENMAB COMPLIES/DOES NOT COMPLY WITH THE RECOMMENDATION DUE TO THE FOLLOWING REASON:

4.2. Disclosure of the remuneration policy

4.2.1. **THE COMMITTEE RECOMMENDS** 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.



Genmab's remuneration policy and compliance with this policy are explained and justified in the Chairman's statement at the Annual General Meeting.

4.2.2. **THE COMMITTEE RECOMMENDS** that the proposed remuneration for the board of directors for the current financial year be approved by the shareholders at the general meeting.



The remuneration of the Board of Directors is addressed and approved as a separate item on the agenda of the Annual General Meeting.

4.2.3. **THE COMMITTEE RECOMMENDS** that the total remuneration granted to each member of the board of directors and the executive board by the company and other companies in the group, including information on the most important contents of retention and retirement/resignation schemes, be disclosed in the annual report and that the linkage with the remuneration policy be explained.

Information on the remuneration of each member of the Executive Management and the Board of Directors, including information on the most important aspects of retention and severance programs, is mentioned in Genmab's Annual Report in note 5.1.

5. Financial reporting, risk management and audits

5.1. Identification of risks and transparency about other relevant information

5.1.1. **THE COMMITTEE RECOMMENDS** that the board of directors in the management commentary review and 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.



The Annual Report includes a risk management section where Genmab presents additional financial and non-financial information in its Annual Report, as deemed relevant or as required under Danish accounting legislation.

In addition Genmab has implemented the EU directives on corporate governance, internal controls and risk management and has thus designed, implemented and documented an effective internal control environment.

GENMAB COMPLIES

RECOMMENDATION

YES 

NO 

GENMAB COMPLIES/DOES NOT COMPLY WITH THE RECOMMENDATION DUE TO THE FOLLOWING REASON:

5.2. Whistleblower scheme

5.2.1. **THE COMMITTEE RECOMMENDS** that the board of directors decide whether to establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.



In 2010, Genmab adopted and obtained approval from the Danish Data Protection Agency of a whistleblower scheme. The whistleblower scheme was amended in 2014.

The whistleblower scheme is subject to guidelines set out by the Audit Committee.

5.3. Contact to auditor

5.3.1. **THE COMMITTEE RECOMMENDS** that the board of directors ensure regular dialogue and exchange of information between the auditor and the board of directors, including that the board of directors and the audit committee at least once a year meet with the auditor without the executive board present. This also applies to the internal auditor, if any.



According to the Audit Committee Charter, the Audit Committee meets with management and the independent auditors quarterly to review Genmab's financial statements.

According to the Rules of Procedure for the Board of Directors, the Board of Directors and the Audit Committee meet with the auditor at least once every year without Executive Management being present. This would also apply in case of any internal auditor.

5.3.2. **THE COMMITTEE RECOMMENDS** that the audit agreement and auditors' fee be agreed between the board of directors and the auditor on the basis of a recommendation from the audit committee.



The engagement letter and audit fee is approved by the Board of Directors on the basis of a recommendation from the Audit Committee.