

Statutory Report on Corporate Governance, see Section 107(b) of the Danish Financial Statements Act

Note!

The report forms part of the management commentary contained in the Annual Report of North Media A/S for the period: **1 January 2016 - 31 December 2016**

ITEM 1: Corporate governance code

The Company is subject to the recommendations on corporate governance available from the website of the Danish Committee on Corporate Governance (Komitéen for God Selskabsledelse), www.corporategovernance.dk.

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying fully/partially/not complying with the recommendation
1. Communication and interaction by the company with its investors and other stakeholders				
<i>1.1. Dialogue between company, shareholders and other stakeholders</i>				
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.	Yes			Investor meetings are held with shareholders and analysts monitoring the Company. The website contains relevant information and shareholders' contact details. Further, company announcements, annual reports and financial calendars are available from the website. From the website, the shareholders may log onto the register of shareholders and enter their e-mail addresses for communication of relevant information by the Company.
1.1.2. The Committee recommends that the board of directors adopt policies on the	Yes			The Company has formulated communication and stakeholder policies.

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying fully/partially/not complying with the recommendation
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.				
1.1.3. The Committee recommends that the company publish quarterly reports.	Yes			Pursuant to the financial calendar adopted by the Board of Directors, the Company publishes interim management statements for Q1 and Q3 as well as interim reports.
<i>1.2. General meeting</i>				
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.	Yes			General meetings are convened electronically, requesting that the shareholders sign up electronically through the website in order for them to be guided by relevant information. The Articles of Association enable electronic communication (Articles 7.6-7.8), enabling the Company to communicate with more shareholders.
1.2.2. The Committee recommends that proxies granted for the general meeting allow shareholders to consider each individual item on the agenda.	Yes			Proxies are submitted along with the notice of the general meeting, enabling the shareholders to consider the various items of the agenda. The proxies may be submitted to Company's system for recording shareholders, Computershare, which then records all proxies.

<i>1.3. Takeover bids</i>				
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.	Yes			
2. Tasks and responsibilities of the board of directors				
<i>2.1. Overall tasks and responsibilities</i>				
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.	Yes			Included in the Board of Directors' calendar of meetings.
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.	Yes			The Board of Directors regularly reviews the Company's overall strategy, particularly in September, with a view to ensuring value creation within the Company.
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 longterm 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	Yes			The management commentary contained in the Annual Report contains a section entitled Capital structure, in which the policy for distribution of dividend is specified.

annual report and/or on the company's website.				
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.	Yes			Included in the Board of Directors' Rules of Procedure.
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.	Yes			Included in the Board of Directors' calendar of meetings.
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.	Yes			Both the members of the Board of Directors and the employees are elected based on strong qualifications relevant to the position they are to fill. Hence, equal opportunities exist for all regardless of race, skin colour, ethnicity, nationality, social background, gender, religion, age, political affiliation, sexuality, or national and international experience. The workforce of North Media represents this. A policy has been formulated to ensure diversity and inclusion. Please refer to the corporate social responsibility section of the Annual Report.
2.2. Corporate social responsibility				
2.2.1. The Committee recommends that the board of directors adopt policies on corporate social responsibility.	Yes			The Company's CSR policy is specified in the Annual Report in the section dealing with corporate social responsibility.
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	Yes			There will always be a vice-chairman of the Board of Directors.

will also act as 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.	Yes			At present, the Chairman of the Board of Directors serves as Chief Executive Officer of the subsidiary, Ofir A/S. The Board of Directors has decided to divide responsibilities this way, and this was announced through the Interim Report for 2010.

3. Composition and organization of the board of directors

3.1. Composition

3.1.1. The Committee recommends that the board of directors annually accounts for <ul style="list-style-type: none"> • the skills it must have to best perform its tasks, • the composition of the board of directors, and • the special skills of each member. 	Yes			The composition of the Board of Directors is considered carefully when presenting the candidatures of and electing the current members, and is presented to the General Meeting as part of the election. Management considers that the current members represent the skills required. The website contains the individual members’ CVs and information about other executive functions in addition to other relevant information about their performance as members of the Board of Directors.
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	Yes			When composing the current Board of Directors, candidates meeting the requirement of diversity of the Board and holding qualifications useful to the work of the Board were selected and nominated.

board of directors must take into consideration the need for integration of new talent and diversity in relation to age, international experience and gender.				
<p>3.1.3. The Committee recommends that a description of the nominated candidates' qualifications, including information about the candidates'</p> <ul style="list-style-type: none"> • other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises, be accompanied by the notice convening the general meeting when election of members to the board of directors is on the agenda • demanding organizational tasks, and information • about whether candidates to the board of directors are considered independent. 	Yes			The present Board of Directors was reelected, for which reason the presentation was done only in connection with the original election of members to the Board of Directors. The Company's website contains the individual members' CVs and information about other executive functions in addition to other relevant information about their performance as members of the Board of Directors.
3.1.4. The Committee recommends that the company's articles of association stipulate a retirement age for members of the board of directors.			No	The Articles of Association lay down no age limit for the members of the Board of Directors. The Annual Report contains information about the age of the individual Board members, no age limit has been set as the Board of Directors believes that a member's experience and qualifications and not their age is what determines whether they can add value to the work of the 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.	Yes			Article 11.3 of the Articles of Association stipulates that Board members are elected for a term of one year at a time. Reelection may occur.
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			No	Richard Bunck, the Chairman of North Media's Board of Directors, is also the principal

<p>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.</p> <p>To be considered independent, this person may not:</p> <ul style="list-style-type: none"> • 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, • represent the interests of a controlling shareholder, • 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. 				<p>shareholder and hence not independent. Board Member Ulrik Holsted-Sandgreen is an attorney-at-law and partner at Horten Advokatpartnerselskab, the law firm providing professional advice to the Company. Therefore, Ulrik Holsted-Sandgreen may not be considered independent. Since 25 April 2015 Steen Gede has been a member of the Board of Directors for more than 12 years. Steen Gede may therefore not be considered independent. The fourth member of the Board of Directors, Peter Rasztar, is independent. Thus the recommendation that at least half of the Board members be independent is not followed.</p>
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3.3. Members of the board of directors and the number of other executive functions				
<p>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.</p>	Yes			None of the current Board members hold many executive functions. The matter is discussed at a meeting in February when the Board of Directors and the Executive Board are evaluated and the Board of Directors makes a self-evaluation.
<p>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:</p> <ul style="list-style-type: none"> • the position of the relevant person, • the age 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. 	Yes			

3.4. Board committees				
<p>3.4.1. The Committee recommends that the company publish the following on the company's website:</p> <ul style="list-style-type: none"> • 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. 	Yes			No special board committees have been set up (other than an audit committee as described below).
<p>3.4.2. The Committee recommends that a majority of the members of a board committee be independent.</p>	Yes			No special board committees have been set up (other than an audit committee as described below).
<p>3.4.3. The Committee recommends that the board of directors set up a formal <u>audit committee</u> composed such that</p> <ul style="list-style-type: none"> • 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. 	Yes			<p>The Board of Directors is responsible for the overall management of the Company. The Board of Directors has set up an audit committee to supervise financial reporting, among other procedures. The Audit Committee is made up of two members of North Media's Board of Directors. The members are appointed by North Media's Board of Directors for a term of two years at a time, with a re-appointment option. One of the Board members on the existing Audit Committee is independent.</p> <p>The members of the Audit Committee hold the requisite financial experience and insight. The members of the Committee must have accounting or auditing insight as well as experience of the affairs and conditions of listed companies. The Board of Directors appoints the chairman of the Audit Committee.</p>

<p>3.4.4. The Committee recommends that, prior to the approval of the annual report and other financial reports, the audit committee monitors and reports to the board of directors about:</p> <ul style="list-style-type: none"> • significant accounting policies, • significant accounting estimates, • related party transactions, and • uncertainties and risks, including in relation to the outlook for the current year. 	Yes			<p>The Audit Committee is involved in both the preparation of the annual report and the approval of preliminary announcements of financial statements and also meets with the auditors, and it reports to the Board of Directors.</p>
<p>3.4.5. The Committee recommends that the audit committee:</p> <ul style="list-style-type: none"> • 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. 	Yes			<p>At least once a year the Audit Committee considers whether a need for an actual internal audit function exists. The entire finance organisation has been centralised into few but larger groups to enhance efficiency and to ensure a good control environment and appropriate segregation of functions. In addition, the use of the subsidiaries' and activities' local finance systems is upgraded and harmonised on an ongoing basis.</p>
<p>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:</p> <ul style="list-style-type: none"> • 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 	Yes			<p>The Company has not established an actual nomination committee, however, the matters are discussed by the entire Board of Directors once a year.</p>

<p>and experience of the individual members of management, and report to the board of directors in this respect,</p> <ul style="list-style-type: none"> • 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 composition of the board of directors, including proposals for specific changes. 				
<p>3.4.7. The Committee recommends that the board of directors establish a remuneration committee with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> • 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. 	Yes			<p>The Company has not set up an actual remuneration committee, however, the matters are discussed by the entire Board of Directors once a year. A remuneration policy has been adopted.</p>
<p>3.4.8. The Committee recommends that the remuneration committee do not consult with the</p>	Yes			<p>The Company does not make use of external advisers concerning the remuneration policy.</p>

same external advisers as the executive board of the company.				
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.	Yes			The matter is discussed at a meeting in February when the Board of Directors and the Executive Board are evaluated, and the Board of Directors makes a self-evaluation. The Board of Directors completes a questionnaire about its work to be discussed by the Board at the February meeting.
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.	Yes			At this point in time, the Board of Directors is considered to have the right composition with four members based on the Company's present size. The Board of Directors discusses this matter every year in February before the Annual General Meeting is held.
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.	Yes			It is stated in the Board of Directors' calendar of meetings that it holds a meeting once a year (after an ordinary Board meeting) without the Executive Board attending.
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	Yes			It is stated in the Board of Directors' calendar of meetings that it holds a meeting once a year (after an ordinary Board meeting) without the Executive Board attending.

presented to the board of directors.				
4. Remuneration of management				
<i>4.1. Form and content of the remuneration policy</i>				
<p>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</p> <ul style="list-style-type: none"> • 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. <p>The remuneration policy should be approved by the general meeting and published on the company's website.</p>	Yes			<p>A remuneration policy has been adopted that is evident from the Annual Report.</p> <p>The content of the Annual Report is adopted at the Annual General Meeting; this includes the remuneration policy which is outlined in the section on Corporate Governance for the Company.</p> <p>It is evident from both the Annual Report and the website under the Corporate Governance section.</p>
<p>4.1.2. The Committee recommends that, if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> • 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 calendar year, and 		Partial		<p>The recommendation is followed except that the Company cannot require repayment of variable pay components paid to an employee based on information which later on turns out to be incorrect. Following the recommendation is considered inappropriate taking into account the small number of variable pay components paid.</p>

<ul style="list-style-type: none"> • 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.	Yes			Board members receive a fixed annual fee and do not take part in North Media A/S' share option programme, nor do they receive any bonus.
4.1.4. The Committee recommends that if share-based remuneration is provided, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should have a maturity of at least three years from the date of allocation.	Yes			The granting of share options complies with the already approved "General Guidelines for the Granting of Share Options and for Incentive Pay to the Board of Directors and the Executive Board" as established at the Annual General Meeting held on 4 April 2008.
4.1.5. The Committee recommends that agreements on termination payments should not amount to more than two years' annual remuneration.	Yes			
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.			No	This is considered a private matter and hence is not referred to.
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.			No	As the Board of Directors considers information about remuneration to be a private matter, no information is normally published about the retirement benefit plans or total remuneration of the individual members of the Board of Directors and of the Executive Board. Accordingly, the fact that the General Meeting must approve proposed remuneration is not relevant.

<p>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.</p>			No	This is considered a private matter and hence is not referred to.
<p>5. Financial reporting, risk management and audits</p>				
<p><i>5.1. Identification of risks and transparency about other relevant information</i></p>				
<p>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.</p>	Yes			Management of strategic and business risks are is an important element of the Executive Board's and the Board of Directors' work. The Boards work on megatrends as well as political, market, operational and financial risks. Strategic and business risks are also important elements of the budget and action plans. An annual report is drawn up for the entire group.
<p><i>5.2. Whistleblower scheme</i></p>				
<p>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.</p>	Yes			The Board of Directors has decided not to introduce a whistleblower scheme at this point in time. The Board regularly evaluates the appropriateness of such scheme.
<p><i>5.3. Contact to auditor</i></p>				
<p>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</p>	Yes			The Audit Committee regular meets with the external auditor, and once a year the external auditor attends a Board of Directors' meeting as part of the preparation of the annual report.

<p>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.</p>				<p>The members of the Board of Directors and the Audit Committee meet at least twice a year with the external auditor and as required, and at least once a year - also without the presence of the Executive Board.</p>
<p>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.</p>	<p>Yes</p>			<p>Appears from the Board of Directors' calendar of meetings and is discussed once a year at a Board meeting.</p>

ITEM 2: Any other codes adhered to by the Company

North Media A/S adheres to no other codes.

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation for the following reason:
<i>(Add rows as required)</i>			

ITEM 3: The key elements of the Company's internal control and risk management system relating to financial reporting

Detailed internal control and risk management systems have been established in connection with the financial reporting process. The aim is to ensure that internal and external financial reports give a true and fair view free from material misstatements. Furthermore, the systems are to ensure that the external interim management statements, interim reports and annual reports of the Group are presented in accordance with IFRS as adopted by the EU as well as additional Danish disclosure requirements for the presentation of financial statements of listed companies.

For a specific description of control and risk management relating to the presentation of financial statements, please refer to the section in the Annual Report on Statutory report on corporate governance.

The Board of Directors estimates that it will not be necessary to set up an independent internal audit function to support the Company's internal control and risk management systems. The Board of Directors finds that the size of the Group does not call for an independent internal audit function.

ITEM 4:

Composition of the management bodies and their committees and the functions thereof

The general meeting of North Media A/S has the ultimate authority to elect members to the Company's Board of Directors and is responsible for its overall management. The Board of Directors supervises the Company's activities and safeguards the proper management of the Company in accordance with the Articles of Association, the Danish Companies Act and other regulations of relevance to the Company. The primary duties of the Board of Directors is to lay down the overall goals and strategies, define clear guidelines for the division of responsibilities, planning and risk management and appoint a competent executive board and serve as its easy-to-reach and active sounding board. The Board of Directors is made up of four members with Richard Bunck, principal shareholder, serving as chairman.

The Group's activities are divided into four segments:

- *FK Distribution, Mads Dahl Andersen, CEO*
- *North Media Newspapers, Gorm Wesing Flyvholm, CEO*
- *North Media Online, Henrik Løvig, CEO*
- *BEKEY, Søren Holmblad, CEO*

The Group's Executive Board consists of five Executive Officers: Kåre Stausø Wigh, Group Executive Director & CFO and the four Chief Executive Officers, each in charge of their own segment and directly referring to an independent board of directors.

The North Media A/S' Board of Directors and the CEO of each of the four segments are the Chief Operating Decision Makers, CODM, focusing on and responsible for the Group's four segments. The Executive Board is responsible for the cross-disciplinary product and business development as well as shared HR guidelines and values.