

Rules of Procedure for the board of directors and the chief executive officer

December 16, 2019

Reference documents:

- Act on the Danish National Research Foundation, see Consolidated Act No. 200 of 26 February 2019
- Royal Decree No. 944 of 8 September 2008 on the Charter of the Danish National Research Foundation
- Executive Order No. 325 of 29 March 2016 on the financial management of the funds of the Danish National Research Foundation
- Act on the Danish Public Administration, see Consolidated Act No. 433 of 22 April 2014 as amended (“Forvaltningsloven”)
- Act on the Danish Public Records Access, see Act No. 606 of 12 June 2013 as amended (“Offentlighedsloven”)
- The EU General Data Protection Regulation 2016/679 (GDPR) and Act No. 502 of 23 May 2017 on Data Protection (“Databeskyttelsesloven”)

1. General management by the board of directors

- 1.1 The Foundation is specifically regulated in Danish legislation by the Act on the Danish National Research Foundation (the "DNRF Act"), the Charter for the Danish National Research Foundation (the "Charter") and the Executive Order on the financial management of the funds of the Danish National Research Foundation (the "Executive Order").
- 1.2 The activities of the Foundation are further subject to the Act on Danish Public Administration, the Act on Danish Public Records Access, the EU General Data Protection Regulation (GDPR) and the Act on Data Protection, as well as to Danish law in general as applicable to the Foundation.
- 1.3 The Foundation is managed by a board of directors (the "Board") whose chairman and eight members are appointed in their personal capacity by the Danish Minister for Higher Education and Science. The chairman and the individual board members are not entitled to appoint an alternate or be represented by another person. In case of the absence of the chairman, the duties of the chairman may, however, be fulfilled by the deputy chairman (see article 8 below).
- 1.4 The Board shall elect from among its members a deputy chairman for a term of one year. The annual election of the deputy chairman takes place at the first board meeting in a new calendar year.
- 1.5 The Board will describe the composition of the Board at the Foundation's website, including the independence and impartiality of its chairman and members.
- 1.6 The Board shall appoint a chief executive officer ("CEO") on recommendation from the chairman of the Board. The Board shall decide on the employment terms of the CEO, including any fixed-term employment.
- 1.7 The Board and the CEO have responsibility for the management of the Foundation.
- 1.8 The Board has lead down guidelines for the CEO's day-to-day management and administration of the Foundation as stipulated in these Rules of Procedure, especially in article 9 below.

The Board shall monitor that the CEO performs his/her duties properly.
- 1.9 On proposal from the CEO, the Board shall determine the strategic development of the Foundation and possibly the Foundation's grant allocation policy. The strategic development is subject to annual review by the Board, usually in the third quarter of the calendar year.

2. Use of the Foundation's funds

- 2.1 The Board shall use the Foundation's funds in accordance with the objec-

tive of the Foundation and as set out in the DNRF Act with related provisions. The Board shall usually grant the Foundation's funds in open competition on the basis of applications from research institutions and researchers.

- 2.2 On proposal from the CEO, the Board shall establish recommended guidelines for
- the allocation of grants and the terms applicable to grants from the Foundation, and for
 - the manner in which the financial commitment of the Foundation to the creation of centres, etc. will gradually be phased out.
- 2.3 The Board and the CEO shall supervise the research activities funded by the Foundation through, *inter alia*, follow-up meetings with the grantees and their teams.

3. Management of the Foundation's funds

- 3.1 The funds of the Foundation shall be managed by the Board on proposal from the CEO in accordance with the applicable statutory rules.
- 3.2 In a framework mandate¹ to the CEO, the Board shall establish the composition of assets and individual risk limitation.
- 3.3 On proposal from the CEO, the Board shall lay down written investment principles² which shall, as a minimum, include the risk management methods, the applied risk method, assumptions used in the long term forecast, the responsible investment policy and the strategic asset allocation. The principles shall be subject to annual review, usually in December.
- 3.4 The Board has established an investment committee which consists of three independent external experts with investment qualifications. The Investment Committee shall inform the Board about issues with respect to the Foundation's investments including the risk and other matters which the Board may wish to have examined. The Investment Committee has only advisory power. The Investment Committee is regulated by the "Charter of the Investment Committee".

4. Chairman

- 4.1 The chairman of the Board shall act on behalf of the Board in external and internal relations. Together with the CEO (see article 9.8), the chairman shall further ensure
- that all statutory formalities and these Rules of Procedure are observed, and
 - that the other board members are briefed about all matters of material importance to the Foundation which have occurred since the

¹ "Rammebemyndigelse", cf. Section 6 of the Executive Order.

² Skriftlige investeringsprincipper", cf. Section 8 of the Executive Order.

last board meeting.

- 4.2 The chairman shall speak on behalf of the Foundation unless the CEO is given special authority to do so.

5. Power to bind the Foundation

- 5.1 The Foundation shall be bound by the joint signatures of the chairman of the Board and any one member of the Board or by the joint signatures of the CEO and the chairman, or by the joint signatures of any two members of the Board.

- 5.2 The Board may grant two administrative employees acting jointly power of procuration and power of attorney to deal with the funds of the Foundation within limits set by the Board.

6. Budget, annual report, insurance, management's review etc.

- 6.1 The Board shall ensure that all budgeting, book-keeping, asset management and procedures are satisfactory and controlled in a satisfactory manner considering the circumstances of the Foundation, including

- On proposal from the CEO, the Board shall approve the Foundation's budget for the administrative expenses, if possible before the beginning of the financial year;
- Interim financial statements shall be prepared on a monthly basis; The most recent interim financial statement shall be sent by the CEO to the Board for the use of Board meetings;
- The CEO shall present an audited annual report for approval by the Board each year before June 1.

- 6.2 The Board shall ensure that the CEO sends the approved annual report to the Minister for Higher Education and Science before June 1.

- 6.3 The Board shall ensure that the Foundation's insurance coverage is adequate. Once a year – at the board meeting at which the annual report is approved – the CEO shall present a statement of the insurance coverage.

- 6.4 The Board may request the CEO to provide all additional information it deems necessary to clarify the Foundation's financial circumstances or to consider specific cases.

- 6.5 On proposal from the CEO, the Board shall publish an annual report³ on the activities of the Foundation. The report shall, *inter alia*, include the return on the investments, including relevant benchmark comparisons (see Section 2, para 1, of the Executive Order).

7. Remuneration

³ "Beretning", cf. Section 6 of the Act on the DNRF.

7.1 The chairman and members of the Board shall be reasonably remunerated for their services, having regard to what is customary considering the nature and scope of the work. The Board shall decide on the remuneration.

7.2 The Board's remuneration consists of a fixed amount corresponding to the general and permanent tasks of the members of the Board and an hourly payment for ad hoc participation in follow-up meetings with the grantees.

The fixed amount is based on an overall assessment of the board's tasks, workload, needed expertise in relation to evaluation of grant applications as well as the board members' expertise and responsibilities related to the administration of the grants and the investment portfolio.

The level of the fixed amount as well as the level of the hourly payment are kept within the limits stipulated in Danish governmental rules.⁴

7.3 To ensure the greatest possible transparency, information on the Board members' remuneration will be posted on the Foundation's website.

8. Board meetings

8.1 The Board shall meet at least four times annually and otherwise when the chairman, or in his/her absence the deputy chairman, deems it necessary or when a board member or the CEO so requests.

8.2 The Board shall usually pass resolutions at meetings; however, when required by the circumstances meetings may take place as tele conferences.

The Board may pass resolutions by written vote when the chairman, or in his/her absence, the deputy chairman, believes that the items of business are suitable for resolution using the written resolution procedure. Items of business to be resolved by qualified majority under article 8.7 may not be resolved using the written resolution procedure.

8.3 The meetings shall be convened by the chairman, or in his/her absence, by the deputy chairman, if possible, by at least two weeks' notice.

8.4 Proposals for agenda items and any papers shall be circulated together with the notice of the meeting. Any board member and the CEO may demand that a specific matter be put on the agenda. Any revised agendas and any additional papers should, if possible, be sent out at least one week before the meeting.

Passing of resolutions concerning agenda items submitted later than one week before the meeting may only take place following consent by all members of the Board.

8.5 At the beginning of the meeting, the proposed agenda shall be approved. The chairman of the Board, or in his/her absence, the deputy chairman,

⁴ Circular No 9418 of 4 July 2013 on remuneration of members of state boards.

shall chair the meeting.

- 8.6 The Board shall form a quorum when at least four members and the chairman, or in his/her absence, the deputy chairman, are present.
- 8.7 Recommendation to amend the Charter, to adopt a framework mandate and investment principles, to release a Board member from his or her duties, to appoint a CEO or to amend these Rules of Procedure shall be decided by qualified majority, consisting of the chairman, or in his/her absence, the deputy chairman, and at least five board members. All other resolutions of the Board shall be passed by simple majority of votes. In case of equality of votes, the chairman, or in his/her absence, the deputy chairman, shall have the casting vote.
- 8.8 The Board may authorize the chairman to pass resolutions on behalf of the Board, except resolutions requiring qualified majority (see article 8.7).
- 8.9 The CEO has the right and duty to attend and speak at meetings of the Board, unless otherwise determined by the Board in each case. Subject to agreement with the chairman, the CEO may permit one or more employees or advisors to participate in meetings of the Board or any part thereof.
- 8.10 A board member shall not disclose to any third-party information obtained during the performance of his or her duties unless such information shall as a matter of course be disclosed to a third party (see section 27 of the Act on Danish Public Administration and sections 152-152e of the Danish Criminal Code). The duty of confidentiality shall continue to apply to a board member after his/her or her resignation.
- Each member is responsible for ensuring that confidential information is not disclosed to any third party. When a board member resigns, he or she shall return or destroy all confidential papers, erase confidential data on all electronic devices and (if relevant) return electronic devices to the Foundation. Board members are recommended continuously to destroy confidential material and erase data on electronic devices, that are no longer used. Any destruction of classified documents by the board member shall be undertaken in such a manner that the duty of confidentiality is observed.
- 8.11 The CEO is similarly obliged not to disclose any information that he or she may obtain when attending meetings of the Board or participating in the work of the Board.
- 8.12 Immediately after each meeting, the CEO shall prepare minutes to be circulated to the board members after the chairman's review if possible, within two weeks of the date of the board meeting. The minutes of meeting shall be submitted for signing at the subsequent board meeting.
- 8.13 If a board member or the CEO disagrees with a resolution passed by the Board, he or she is entitled to have his or her opinion entered in the minutes.

- 8.14 The language of board meetings is English. Agendas and other papers shall, if possible, be written in English.

9. Chief Executive Officer

- 9.1 The CEO has responsibility for the day-to-day management and administration of the Foundation in accordance with the guidelines set by the Board in these Rules of Procedure (see article 1.8 above). The CEO shall, *inter alia*, ensure that budgeting, book-keeping, insurance, asset management and procedures are satisfactory and adequate.
- 9.2 The day-to-day management does not include decisions of an unusual nature or of major importance, having regard to the circumstances of the Foundation, including transactions relating to the capital or decisions on the use of the Foundation's funds in implementation of the objective of the Foundation. The CEO may make such decisions only if specifically authorized by the Board.
- 9.3 The CEO shall employ and dismiss the administrative employees of the Foundation and lay down terms of employment in accordance with an organization chart adopted by the Board. The organization chart shall be subject to annual review by the Board at the first board meeting in a calendar year.
- The Board shall be kept up-to-date on material staff-related decisions. The appointment or dismissal of the Chief Financial Officer (CFO) shall be decided by the CEO subject to the prior approval of the chairman of the Board.
- 9.4 The CEO is obliged to keep the Board, i.e. the chairman of the Board, up-to-date on all matters of importance to the Foundation.
- 9.5 The CEO shall submit to the Board any decision which, considering the circumstances of the Foundation, is of unusual nature or scope or is otherwise of major importance, before the decision is made.
- 9.6 If it is not in the best interests of the Foundation to await the Board's approval of a decision, the CEO shall, if possible, obtain approval from the chairman and ensure that the Board is subsequently notified of the decisions made.
- 9.7 The CEO shall undertake secretariat duties for the Board to the extent requested by the chairman of the Board, including preparing for, conducting and following up on meetings of the Board (see article 8).
- 9.8 The CEO shall otherwise perform all duties incumbent on the CEO under these Rules of Procedure. The CEO is responsible to the Board for ensuring that the Foundation's activities comply with current legislation.
- 9.9 The remuneration of the CEO shall be subject to negotiation between the

chairman of the Board and the CEO once a year for the purpose of making such adjustments to the remuneration as are reasonable in the light of the CEO's performance in relation to the management and development of the Foundation.

10. Conflicts of interest

10.1 The Board shall decide whether a board member and/or the CEO has a conflict of interest in relation to a specific matter and whether he or she shall be barred from participating in the Board's consideration of the matter. The decision shall be made in accordance with the rules in the Act on Danish Public Administration and the Guidelines for Conflicts of Interest issued by the Board and posted on the Foundation's web site.

10.2 It is the responsibility of the chairman, any board member and the CEO to notify the Board when there are circumstances which may cause doubts as to his or her impartiality.

10.3 The Board's decision on a question of a conflict of interest shall be recorded in the minutes of the relevant meeting.

10.4 The CEO has the power to make decisions in case of a conflict of interest involving persons other than board members and him- or herself, including external advisors and peer reviewers.

11. Evaluation of the Board and the CEO

11.1 The efforts made by the board members, the chairman and the CEO to ensure that the Foundation works in compliance with its objectives shall be subject to an annual evaluation carried out in accordance with the procedure laid down in the relevant guidelines of the Board. For further information, see Appendix 1.

12. Effective date

12.1 These Rules of Procedure have been adopted by the Board at the meeting held on December 16, 2019 and become effective when signed by the chairman, the board members and the CEO.

12.2 The Board may at any time amend the Rules of Procedure by qualified majority (see article 8.7).

12.3 The previous Rules of Procedure of the Foundation dated September 8, 2008 with related practice description are hereby cancelled.

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Jens Kehlet Nørskov

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Morten Overgaard Ravn

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Anne Scott Sørensen

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Eero Vuorio

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Jesper Ryberg

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Christina Moberg

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Bart de Moor

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Minik T. Rosing

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Clivia M. Sotomayor Torres

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Søren-Peter Olesen, CEO

Appendix 1.

Evaluation of the Board and the CEO of the Danish National Research Foundation

As set forth in the Rules of Procedure for the board of directors (the "Board") and the chief executive officer (the "CEO") of the Danish National Research Foundation (article 11), the Board has decided to undertake an annual evaluation of the board members', the chairman's and the CEO's contributions to the work of the Foundation.

1. Purpose

The overall purpose of the evaluation is to assure the quality of, and continuously improve, the work performed by the Board, the chairman and the CEO.

The principles for the composition of the Board are laid down in the Act on the Danish National Research Foundation. Likewise, it is provided by statute that the chairman and the members shall be appointed in their personal capacity by the Minister of Higher Education and Science. This means that the Board has no power to appoint or replace its members as most other foundations. Consequently, the evaluation will be undertaken only with the above purpose in view.

2. Evaluation process

It is important to the Board that the evaluation process focuses on creating a shared perspective of the existing work of the Board and the CEO and on forming a basis for any measures, including guidelines for the future work.

It is further important to the Board that the evaluation is conducted in a good and constructive atmosphere where each board member and the CEO are given the opportunity to participate and comment on all relevant matters.

The evaluation will be conducted on the basis of questionnaires followed up by the chairman's individual evaluation interviews with each board member and with the CEO. Finally, the Board will conduct a joint evaluation discussion.

The Board seeks to carry out the evaluation so as to allow it to constructively draw conclusions and make recommendations in a subsequent action plan.

3. Use of questionnaire

The evaluation begins with the circulation of questionnaires to all board members, the chairman and the CEO. Each respondent is to evaluate

- the overall work and efficiency of the Board;
- the work and efficiency of him- or herself and the other Board members / the CEO.

The questionnaire will be prepared annually by the chairman on proposal from the CEO in a form suitable for determining the quality of the work of the Board and the CEO, e.g. by including the following subjects:

- Work of the Board

- Results achieved by the Board
- The efficiency of the Board/the CEO and their contribution to strategic and managerial matters
- The Board's cooperation with the CEO
- The chairman's, or the deputy chairman's, contribution to the cooperation in the Board and with the CEO

The Board wishes the CEO to participate in the evaluation and to fill in questionnaires. The responses should therefore be categorized according to whether the response is made by a board member or by the CEO.

It is also important to the Board that the individual board member feels that he or she can respond with open and honest answers. The questionnaire responses of the board members will therefore be anonymous.

4. Individual interviews

On the basis of the completed questionnaires, the chairman will conduct individual evaluation interviews with all board members and with the CEO.

The interviews must be conducted without disturbances and in a good and constructive atmosphere, and adequate time will be allocated for each interview.

5. Evaluation discussion in the Board

After the individual evaluation interviews, the Board will hold a joint evaluation discussion, usually in Q3. The discussion will be based on the chairman's

- statement of the aggregate result of the questionnaires
- anonymized statement of the individual interviews, and possibly
- proposals for recommendations

If, after the discussion, the Board decides to implement measures to improve the work of the Foundation, such measures will be implemented on an equal basis with all other decisions of the Board, perhaps after the preparation of an action plan.