

Board evaluation 2021

Evaluation of the performance of the Executive Management Team and the Board of Directors

The Board of Directors assesses the work and results of the Executive Management on an ongoing basis as an integrated and natural part of their regular meetings.

Board evaluation of the Executive Management

In the beginning of every year, the Board establishes performance plans with specific KPIs for each member of the Executive Management. The Board assesses the performance of the Executive Management and its execution of the agreed KPIs on an ongoing basis during the year and formally at the end of the year.

The Board also evaluates on an ongoing basis the structure and composition of the Executive Management in light of competencies and execution of the company's strategy.

At the year-end assessment of Executive Management, the Chairman of the Board is having individual performance evaluation meetings with each member of the Executive Management. In addition, the work of the Executive Management is also assessed as an integrated part of the Board's own annual self-evaluation, ensuring that the Executive Management's work is evaluated in accordance with pre-defined criteria.

The Board's self-evaluation

The Board of Directors has – since 2009 – conducted an annual self-evaluation of its work through which the Board can track its own performance, strengths and development areas over time and, consequently, the Board has been able to continuously improve its work and procedures.

Purpose of the self-evaluation

Progress has been measured from one year to the other. The self-evaluation takes place in Q4, and the overall purpose is to secure a high level of professionalism, solid corporate governance and contribution to the continued success of the company. Furthermore, it ensures that the Board continues to have the right composition and expertise at the Board.

The annual self-evaluation process covers the contributions of each individual Board member as well as the achievements of the Board as a whole and of the Board committees.

The self-evaluation process secures a structured and systematic approach for the assessment of the Board's work and is led by the Chairman of the Board.

Assessment of overboarding

The process also includes an assessment of other management positions that each Board and Executive member holds and assesses potential overboarding issues.

The company subscribes to the concept of "non-overboarding" and, therefore, carefully considers the workload and other requirements such other management positions or other demanding organizational assignments may impose on each individual Board or Executive member.

Construct of the self-evaluation

The self-evaluation survey is anonymous and is based on a comprehensive questionnaire that among other covers the following evaluation criteria in accordance with the Good Corporate Governance recommendations and is managed by the office of the General Counsel:

- The Board's contribution and results
- The Board's cooperation with the Executive Management Team
- The Chairman's leadership of the Board
- The composition of the Board (including competencies, diversity, and the number of members)
- The work in the Board committees and the committees' structure
- The organization and quality of the Board materials

Furthermore, in 2020 and 2021 the self-evaluation has also included an evaluation of Executive Management and the Board's handling of global COVID-19 pandemic, both in terms of impact on the global business and the global work-force.

Review of the self-evaluation

Each year, the questions in the survey questionnaire are being reviewed by the Chairman of the Board to ensure, that they are all applicable and relevant, taking into consideration any topics of importance for the Board's work during that year.

Each question in the self-evaluation questionnaire is answered by each Board member and each member of the Executive Management Team and is rated with a score from 1 to 5. The questionnaire also offers the participants the option to provide additional commentary input, all on an anonymous basis.

Further, the Chairman also has individual meetings with each Board member and member of the Executive Management Team to follow up on the results of the survey. The results are presented in a Board meeting by the Chairman combined with a Board discussion of the results.

The Chairman of the Board is, furthermore, responsible for providing an update to the Annual General Meeting on the general results of the self-evaluation.

External assistance

Over time it is the Board's intention to obtain periodic external assistance to the Board evaluation process.

The Board had intended to obtain external assistance to the Board evaluation in 2020/21. However, due to the continued extraordinary working conditions for the Board with mostly virtual meetings during the ongoing COVID-19 pandemic (in 2021, only one meeting was held physically before the annual self-evaluation took place), the Board did not find that it was the right time to bring in an external consultant in 2021. Therefore, and since the Board was comfortable using the same framework and process for its annual self-evaluation as had been used in previous years, the Board decided to postpone the involvement of external assistance until a later point in time.

Conclusions of the 2021 self-evaluation

The general conclusions of the 2021 self-evaluation survey were that the work in the Board and the collaboration between the Board and the Executive Management are conducted in a professional and efficient way; and that the Board and the Executive Management are aligned with respect to how they collaborate, how the Board and Board Committee meetings are conducted; and the decision-making processes.

The self-evaluation survey also showed that the size of the Board is appropriate, and that the Board has the right composition and skillsets and receives the information needed for setting the strategic goals. Finally, the self-evaluation survey showed that the Board was comfortable with GN's risk management processes and the management of the COVID-19 pandemic.