

June 2020

(– revised / based on the rules of procedure June 2020)

Rules of procedure of Innovation Fund Denmark, CVR no. 29 03 5695

Note: This is a translation of the rules of procedure. In case of any dispute as to the meaning or interpretation of any provisions, the Danish version as approved by the board of directors will prevail.

Introduction

The rules of procedure have been drafted by the board of directors of Innovation Fund Denmark (hereinafter referred to as the "Fund") in pursuance of section 11(1) in Act No. 306 of 29 March 2014 on Innovation Fund Denmark (hereinafter referred to as the "Act").

These rules of procedure serve as a tool for the board of directors to achieve the Fund's objectives under part 1 of the Act.

MANAGEMENT OF THE FUND

Board of directors

- 1.** The Fund is managed by the board of directors, cf. section 6 of the Act.
- 2.** The composition of the board of directors is subject to part 2, section 7 of the Act. Thus, the chairman and the other eight members of the board are appointed by the Minister for Higher Education and Science.

(2) The board of directors has two vice chairmen who are appointed by the board of directors amongst its other eight members.
- 3.** The chairman of the board and the individual board members do not have alternates and cannot be represented by any other persons. However, if the chairman is absent one or both chairmen can perform the chairman's duties.
- 4.** The composition of the qualifications and experience of the board of directors is subject to part 2, section 8 of the Act.
- 5.** The terms of appointment and reappointment of board members are subject to part 2, section 9 of the Act.

Chairmanship

- 6.** The chairman of the board is responsible for ensuring that the board of directors operates in a satisfactory manner and that the responsibilities of the board of directors are performed

in the best possible way, utilizing the individual board members' specialist knowledge and qualifications.

7. The vice chairmen will assume the rights and obligations of the chairman of the board should the chairman temporarily be prevented from performing his or her duties. Agreement on the vice chairmen's substitution of the chairman will be made by the chairman, the vice chairmen and the remaining board members.

(2) If the chairman of the board is permanently absent, the board of directors will make an inquiry to the Minister for Higher Education and Science in order to appoint a new chairman, cf. section 7(2) of the Act.

8. The chairman and the vice chairmen of the board will continuously hold meetings with the director of the Fund in between board meetings to, among other things, prepare board meetings and discuss minor matters of an operational nature with the director on behalf of the board of directors as part of the delegation of powers to the secretariat. The chairman and the vice chairmen of the board are responsible for continuously keeping the remainder of the board members informed of matters which are of relevance to the board of directors.

Day-to-day management and secretariat of the Fund

9. The establishment and function of the secretariat are laid down in part 4, sections 14-17 of the Act.

10. The board of directors appoints a director of the Fund. The appointment of a director is subject to decision by qualified majority, cf. paragraph 18 of these rules of procedure.

(2) The director will be in charge of the day-to-day management of the secretariat of the Fund and will report to the chairman of the board.

(3) The director must on a continuous basis report on any issue or matter of relevance to the board of directors to the chairman of the board, including issues or matters which may give rise to calling an extraordinary board meeting.

11. All of the Fund's investments in operations up to DKK 2,000,000 (exclusive of VAT), including initiation of tender processes or use of consultancy services for strategic, financial or IT-related purposes, will be decided by the director. Decisions regarding investments exceeding DKK 2,000,000 (exclusive of VAT) will be made by the director subject to approval by the chairman and the vice chairmen of the board. Decisions regarding investments exceeding DKK 5,000,000 (exclusive of VAT) will be made by the director subject to approval by the board of directors (this provision does not concern the Fund's funding activities and any decisions in this regard).

(2) The director makes decisions regarding the establishment of frameworks for administrative collaboration with the Ministry for Higher Education and Science, i.e. collaboration on HR, service, IT and finances, subject to approval by the chairman and the vice chairmen of the board.

(3) The director can act for and bind the Fund in all everyday matters as long as such matters are consistent with the Fund's overall strategy or any other decisions made by the board of directors.

(4) The director makes decisions regarding recruitment and dismissal of individual employees. Major staff adjustments are subject to approval by the chairman and the vice chairmen of the board and decision by the board of directors.

(5) Once a year, the board of directors evaluates the work and results of the director based on specific pre-determined criteria. The director and the board of directors decide on a procedure for evaluating the collaboration between the board of directors and the director once a year at a meeting between the director and the chairman of the board. The outcome of the evaluation will be presented to the full board of directors.

BOARD MEETINGS

Notice of ordinary board meetings

12. The board of directors holds ordinary meetings at least six times a year and when the chairman of the board – or, in his or her absence, the vice chairmen – deems it necessary.

(2) The meetings will be called by the chairman of the board or, in his or her absence, by the vice chairmen with, as far as practicable, at least two (2) weeks' notice. Any papers will be circulated electronically and, as far as practicable, at least one (1) week before the meeting. All board members may require that a particular matter or item be included on the agenda. Any such request must, as far as practicable, be submitted in writing to the chairman of the board eight (8) days before the meeting. Preparation of the Fund's meetings, including preparation of the agenda, will be handled by the secretariat subject to agreement with the chairman of the board. In this connection, the director may require that a matter or item be included on the agenda.

Notice of extraordinary board meetings

13. Extraordinary board meetings must be called when at least two board members submit a written request for such meeting. In such situation, the board of directors must be summoned within three (3) weeks of receiving the request by the chairman of the board or, in his or her absence, the vice chairmen.

(2) The director may request an extraordinary board meeting and decisions in this regard will be made by the chairman and the vice chairmen of the board.

Holding of board meetings

14. Board meetings are either held virtually or physically. It will be stated in the notice of board meeting if the meeting will be virtual or physical.

15. The chairman of the board or, in his or her absence, one of the vice chairmen will preside at the meetings.

(2) The board meetings will not be public. The director attends the meetings with the right to speak unless the board of directors decides otherwise in specific situations. In addition, the board of directors decides who may generally or specifically attend the board meetings, including whether such persons have a right to speak at the meetings.

(3) At the beginning of the meeting, the proposed agenda is approved. The fixed agenda items for ordinary board meetings are, at the time of adopting these rules of procedure, as follows:

- Information on the Fund's specific investment decisions, i.e. any decisions to invest made since the last board meeting
- Reports from permanent and *ad hoc* committees
- Comments by the chairman of the board
- Financial reporting (quarterly)

The board of directors may decide on a continuous basis to change the fixed agenda items.

16. Minutes of the board meetings will be prepared, outlining the decisions made, and in the event of voting the result will be recorded in the minutes. Should a person disagree with the decision made by the board of directors, he or she will be entitled to have his or her opinion recorded in the minutes of the meeting.

(2) The draft minutes of the meeting will be circulated as soon as possible and within two (2) weeks of the board meeting indicating a deadline for comments. The minutes will be circulated and approved electronically, however, in such a way that the approved minutes will be signed physically by the chairman of the board and all the board members at the next board meeting, irrespective of whether they were in attendance at the board meeting in question. Any board members who were absent at the board meeting will supplement their signature with the following text: "Seen". Alternatively, the minutes of the meeting may, subject to decision by the chairman of the board, be approved electronically and signed as soon as practicable.

(3) The approved and signed minutes of the meeting will be included in the record of the board of directors. The director keeps the record and the board members will have access to reading the record. The director brings along the record for all meetings and the record may be stored electronically.

Decisions

17. The board of directors forms a quorum when at least four board members and the chairman of the board or, in his or her absence, one of the vice chairmen are in attendance at a meeting. The chairman can only be substituted by one of the vice chairmen, cf. paragraph 7 of these rules of procedure, at a specific meeting and/or in relation to a specific agenda item and such substitution will be highlighted in the minutes of the meeting/decision processes. Should the chairman of the board be disqualified or have a conflict of interest in relation to a specific decision, authorisation to preside over the specific agenda item will transfer to one of the two vice chairmen and such authorisation will only concern the decision in relation to which the chairman of the board is disqualified or has a conflict of interest. If any board members are prevented from attending a meeting, it is expected that they notify the chairman of the board or, in his or her absence, the vice chairmen of their opinions on

decisions to be made no later than two days before the board meeting, and during discussions of the relevant agenda items such opinions will be presented at the board meeting.

18. A decision to appoint a director or change the rules of procedure is subject to qualified majority vote comprising the chairman of the board and at least five board members. All other decisions are made by simple majority vote. Each board member has one vote. In the event of equality of votes, the chairman of the board or – in his or her absence – the vice chairmen will have the casting vote. If the chairman of the board is absent and there is equality of votes, and if the two vice chairmen cast different votes, the decision will be deferred until there is new basis for voting.

19. The board of directors makes its decisions at meetings. When the circumstances so require, the chairman of the board may decide that papers can be processed through a written procedure or over the telephone if the matter is urgent. In special cases, the board of directors may authorise the chairman of the board, or the chairman and the vice chairmen of the board, to make a decision on behalf of the full board of directors. However, this does not apply in respect of changes to the rules of procedure, budget approval or appointment of a director.

20. All board members collectively take responsibility for decisions made by the full board of directors. This also includes members who were not in attendance at the meeting.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

21. The responsibilities of the board of directors are laid down in part 2, section 6 of the Act.

22. The board of directors defines the Fund's strategies, including performance targets, every third year and publishes an annual report. The Minister for Higher Education and Science will receive these documents for information purposes prior to publication on the Fund's website, cf. section 11(1) and (2) of the Act.

(2) The board of directors oversees the administration of the Fund, adopts the organisational chart of the Fund and establishes the secretariat of the Fund.

(3) The board of directors oversees that the Fund's funds are used in accordance with the objectives of the Fund, as defined in part 1 of the Act, and lays down guidelines for investments and the terms of investments. The board of directors continuously follows up on the activities funded by the Fund, including reporting of data on the Fund's investment activities to national and international bodies which collectively report on Denmark's investment activities within research driven innovation and advances in technology.

(4) The board of directors determines the Fund's annual budget.

(5) The board of directors ensures that the Fund identifies, analyses and addresses the main risks to which the Fund is exposed and ensures that the required procedures for risk management and internal controls are in place, including in relation to compliance with administrative rules and principles such as the principle of sound financial administration.

(6) All board members must read the rules of procedure and obtain the information necessary for the performance of their duties. Upon request to the chairman of the board, all board members may require information on matters concerning the Fund, including documents from the Fund.

(7) Once a year, the board of directors evaluates the work and results of the board of directors. The board or directors and the director decide a procedure to determine whether the board works satisfactorily and whether its responsibilities are performed in the best possible way.

23. The board of directors makes final decisions concerning the Fund's investment activities but may, subject to the guidelines below, delegate decision-making powers so long as such decisions are within and in compliance with the Fund's objectives and guidelines for investments.

AUTHORISATIONS AND DELEGATION

General

24. The decision-making powers of the board of directors are laid down in part 2, section 6 of the Act. To the extent that no delegation has taken place, the board of directors will thus make decisions on applications for investment.

(2) The board of directors may always revoke a delegation in specific matters.

(3) The board of directors may delegate decision-making power to committees or the secretariat as described in part 2, sections 10 and 28(5) of the Act and section 11 of Executive Order No. 1150 of 25 October 2017. When delegating powers – in addition to what follows from paragraphs 25 and 26 of these rules of procedure – an end date will also be specified after which the board of directors may agree an extension, if relevant. Any such delegation does not change the overall responsibility of the board of directors for the Fund's general activities, including investment decisions made by a committee or a secretariat/sub-committee of the committee as part of delegation of decision-making power.

(4) When delegating decision-making power, the board of directors will draw up an authorisation which will be published on the Fund's website, cf. section 10(2) of the Act.

(5) The following decisions regarding investments are not covered by the delegation specified in paragraph 26 of these rules of procedure and will be made by the board of directors:

- 1) investments above DKK 25,000,000 (regular investments and top-up investments);
- 2) fundamental matters; and
- 3) practice-setting or practice-changing matters.

When implementing any new initiatives, the board of directors will specifically decide to what extent the board of directors will make decisions regarding investments during the implementation phase.

(6) In its annual report, the Fund will describe investments at portfolio level and present the key figures of the investments made.

(7) All board members have – irrespective of whether the matter is subject to delegation – free access to all applications, bases for decisions and decisions. This may include approval or rejection of applications for investment, or situations where the Fund decides to prematurely terminate its engagement in specific projects on grounds of breach of contract.

(8) The board of directors has the primary responsibility for the Fund’s research-related, ministerial advisory activities, cf. part 1, section 5(1) of the Act, but may delegate advisory duties to the chairman of the board, the secretariat or an expert committee. In such case, the board of directors will draw up an authorisation which will be published on the Fund’s website.

(9) Investments are decided in accordance with part 5 of the Act.

Delegation to the Strategic Research Committee and the Innovation Committee under section 28(5) of the Act

25. Under section 28(5) of the Act, the board of directors has set up two main committees, the Strategic Research Committee and the Innovation Committee.

(2) The Strategic Research Committee and the Innovation Committee report to the board of directors and must ensure that investments in politically prioritised and thematically defined research areas are made in accordance with the applicable guidelines.

(3) The Innovation Committee and the Strategic Research Committee report to the board of directors and must continuously oversee that the expert committees set up under paragraph 26 of these rules of procedure make investments in enterprises’ innovation efforts in accordance with the guidelines and practice determined by the board of directors. Thus, the Innovation Committee and the Strategic Research Committee as such do not make decisions regarding investments but performs a monitoring role in relation to the expert committees established. Such oversight takes place continuously on the basis of a risk-based approach and is additional to the oversight occurring through the continued reporting of the expert committees to the board of directors, cf. paragraph 26 of these rules of procedure. When establishing a committee the board of directors decides whether the supervision specified in this provision is carried out by the Innovation Committee or the Strategic Research Committee.

(4) The committees shall assist the board of directors in order to secure that the Fund has an operational set-up and in order to ensure a functional Fund.

(5) The members of the Strategic Research Committee and the Innovation Committee are appointed amongst the board members. It is stated on the Fund’s website which board members are appointed to the two main committees under paragraph 25 of these rules of procedure.

(6) The board of directors approves the terms of reference for the main committees, including a description of the Committees’ responsibilities, frequency of meetings, number of members and systematic knowledge sharing with the other board members.

(7) The main committees must inform the board of directors of any matters of relevance to the board.

Delegation to expert committees under part 4 of the Act

26. The board of directors will set up temporary or permanent expert committees to assist with expert advice and to make investments in developments in knowledge, technology and innovation as described in part 3, sections 12 and 13 of the Act. The total number of temporary and permanent expert committees must not exceed ten at any time.

(2) The board of directors may in pursuance of section 10(1), paragraph (1) of the Act, cf. part 3 of the Act and section 11(1), paragraph (1) of the Executive Order No. 1150 of 25 October 2017, delegate decision-making power regarding investments to expert committees established under paragraph 26(1) of these rules of procedure, however, with the following exceptions:

- 1) investments exceeding DKK 25,000,000 (regular investments and top-up investments);
- 2) fundamental matters; and
- 3) practice-setting or practice-changing matters.

When implementing any new initiatives, the board of directors will specifically decide to what extent the board of directors will make decisions regarding investments during the implementation phase, possibly combined with the possibility of attending meetings, cf. paragraph 26(9) of these rules of procedure.

Fundamental matters as well as practice-setting or practice-changing matters include, for instance, matters which involve questions of interpretation of the Act or the interpretation, objective or scope of a specific initiative or an investment programme, matters which concern an element of an initiative or investment programme under which no investments have been made so far, matters which may jointly or separately have general importance to other/future matters, or matters of a general interest to the Fund' activities, including general interest to an initiative or investment programme.

The fact that an application falls outside the objective of an initiative or investment programme, or the fact that an application does not meet the relevant formal requirements, does not in itself mean that the matter is fundamental, practice-setting or practice-changing.

In case of doubt as to whether a matter is fundamental, practice-setting or practice-changing, the expert committee must – in accordance with the terms of reference for the committee – present the matter to the chairman and the vice chairmen of the board or the Innovation Committee prior to making a decision in the matter.

In the event of potentially practice-setting or practice-changing matters, the presentation of the matters may be made in such a way that the board of directors only decides on the practice-setting or practice-changing element rather than all the matters in their entirety.

(3) The board of directors appoints the chairs and members of the committees, cf. section 13(2) of the Act.

(4) The decision of the board of directors to delegate decision-making power is based on the assumption that the members of the expert committees are appointed amongst external

experts who on an objective basis will evaluate applications and make decisions regarding investments. The members of the expert committees must, to the extent possible, have relevant national as well as international experience.

(5) The expert committees fall under and are subject to the board of directors. The committees must perform their responsibilities in accordance with the Act, these rules of procedure, the applicable terms of reference and any decisions made by the board of directors.

(6) The board of directors will set out the terms of reference for the expert committees and the criteria for appointment of members. The terms of reference and criteria for appointment of members must underpin the principles of transparency and open competition of investments on grounds of objective and pre-published criteria giving weight to, among other things, the quality, effect and relevance of applications, cf. section 18 of the Act. The terms of reference for the expert committees and the criteria for appointment of members of these committees will be published on the Fund's website.

(7) As part of the primary responsibility for decisions regarding investments, the board of directors continuously monitor the expert committees established. As part of this oversight function, the expert committees must as a minimum and on a continuous basis report on the following to the board of directors:

- 1) all decisions regarding investments at portfolio level (i.e. in aggregate form)
- 2) key figures
- 3) participation in annual random checks

Detailed principles and frequency of the reports as well as the items in the reports will be specified in the terms of reference for the expert committees within these rules of procedure, so that the reporting and oversight of the individual expert committees are also determined on the basis of a risk-based approach.

(8) Subject to decision by the board of directors, the chairs of the individual expert committees will attend board meetings relating to the board's performance of its oversight function/the reporting obligations of the expert committees pursuant to paragraph 26(7) of these rules of procedure. At three (3) weeks' notice prior to an ordinary board meeting, the chair of an expert committee may request to attend a board meeting.

(9) Subject to decision by the board of directors, one or more board members may attend meetings in the expert committees to ensure, among other things, dialogue and sparring in relation to the investment decisions of the board of directors.

(10) All expert committees must inform the board of directors of any matters of relevance to the delegation made by the board of directors.

(11) Until the expert committees have been established, any decisions regarding investments will be made as hitherto, which also means that the existing delegation will continue.

Complaints regarding investment decisions

27. Complaints regarding any legal issues relating to the Fund's decisions as a funding authority may be submitted to the Minister for Higher Education and Science within 4 weeks from the date of announcement of a decision, cf. sections 23(2) and 25 of the Act, whereas delegation of the decision-making power in complaints regarding legal issues relating to the Fund's investments decisions has been made to the Danish Agency for Institutions and Educational Grants, cf. section 12 of Executive Order No. 1150 of 25 October 2017.

GENERAL PROVISIONS

Oversight of the Fund

28. The Minister for Higher Education and Science oversees the Fund in pursuance of sections 26 and 27 of the Act.

External relations and communication

29. The chairman of the board as well as the chairman and the vice chairmen represent the Fund at a high political level. The director (or his or her alternate) represents the Fund externally on a daily basis, unless otherwise agreed with the chairman of the board. The director's alternate is subject to approval by the chairman of the board.

(2) The chairman/vice chairmen of the board will inform the board of directors of important meetings with and messages communicated on behalf of the Fund to stakeholders at the highest political level or other contact persons which the board members ought to know of in their capacity as ambassadors to the Fund.

(3) The board members are important ambassadors to the Fund and the Fund's communication unit will sometimes initiate and coordinate statements and representation in public with the individual board members. The Fund's communication unit will handle everyday dialogue and coordination with stakeholders and media but does not give statements to the public, unless otherwise agreed with the chairman of the board or the director.

(4) The Fund will draw up a communication policy subject to approval by the board of directors.

Duty of confidentiality and public law rules

30. Any person taking part in the Fund's work is subject to the Public Administration Act in force from time to time, including the provisions on confidentiality.

(2) The board members are subject to a duty of confidentiality with regard to the information made available to them in their capacity as board members when such information according to its nature is confidential, cf. the provisions of the Public Administration Act.

Disqualification and conflict of interest

31. The Fund performs its responsibilities in compliance with the general administrative principles of disqualification and conflict of interest. In addition, the Fund has adopted

supplementary principles of disqualification and conflict of interest as well as access to investments in connection with final investment decisions. Issues of disqualification or conflicts of interest for employees, management and board members must be evaluated on an annual basis. Secondary business activities (in Danish: "bibeskæftigelse") of the management and employees must be declared annually and in compliance with the rules on secondary business activities as specified in the Fund's personnel handbook.

(2) The board members must, prior to any discussions regarding an application, inform the board of directors and the secretariat if there are any issues which may give rise to questions concerning disqualification or conflict of interest relating to the board member.

(3) The board of directors will make a decision regarding the issue of whether the relevant board member is disqualified or has a conflict of interest and the board member will not take part in the assessment or final determination of this issue.

(4) If a board member is deemed to be disqualified or have a conflict of interest, he or she must not participate in any discussions of issues connected to the relevant matter and must leave the meeting room during the determination of the matter.

(5) It must be recorded in the minutes of the meeting if the issue of disqualification or conflict of interest has been discussed and, likewise, the decision of the board of directors must be stated in the minutes.

Financial statements

32. The annual budget is presented by the Fund's secretariat and will, as far as practicable, be approved by the board of directors before the beginning of the financial year, cf. paragraph 22(4) of these rules of procedure.

(2) The Minister for Higher Education and Science will approve the level of costs based on recommendation from the board of directors, cf. section 17 of the Act.

(3) Interim statements will, as a minimum, be prepared on a biannual basis. Such statements will be circulated to the board of directors to be used at board meetings where they can be compared with the approved budget.

33. The Fund's financial reporting follows from part 1, section 1(5) of the Act.

Annual report

34. Each year before the end of March, the board of directors publishes an annual report in accordance with the guidelines in force from time to time from the Agency for Public Finance and Management (formerly the Agency for Modernisation) regarding preparation of annual reports (the current guidelines are dated December 2019) as well as part 2, section 11 of the Act. The report must be attested by the director and the chairman of the board.

Entry into force

35. These rules of procedure were adopted by the board of directors of the Fund at the board meeting held on 15 June 2020 and will enter into force when they have been presented to the Minister for Higher Education and Science.

(2) The board of directors can at any time change these rules of procedure by qualified majority vote, cf. paragraph 18 of the current rules of procedure. Any such changes must also be presented to the Minister for Higher Education and Science.

(3) When new members are appointed to the board of directors, the rules of procedure must be adopted and signed again by the full board of directors.

(4) By signing these rules of procedure, all board members declare that in the performance of their board duties their sole motivation will be to act in the best interests of the Fund.

Aarhus,

Tina Fanø
Chairman of the board

Anja Boisen
Vice chairman

Flemming Besenbacher
Vice chairman

Anne Skriver
Board member

Anne-Marie Engel
Board member

Claus Jensen
Board member

Stephen Alstrup
Board member

Lars Frølund
Board member

Henrik Jørgen Andersen
Board member