



Statutory corporate governance statement for 2019, cf. section 107b of the Danish Financial Statements Act

(This statement forms part of management's review in H+H International A/S's annual report for the accounting period 1 January to 31 December 2019)

The sections below headed "Composition and function of management bodies" and "Internal control and risk management systems for the financial reporting process" are covered by the statement on management's review as part of the independent auditors' report in H+H International A/S's annual report for 2019, whereas the other information in this *Statutory corporate governance statement for 2019, cf. section 107b of the Danish Financial Statements Act* is not covered by the auditors' report in H+H International A/S's annual report for 2019.

COMPOSITION AND FUNCTION OF MANAGEMENT BODIES

H+H International A/S has a two-tiered management structure consisting of the Board of Directors and the Executive Board, where the Executive Board is subordinate to the guidelines and decisions of the Board of Directors. There is no overlap between the members of the Board of Directors and the Executive Board. The Board of Directors is responsible for the overall and strategic management, while the Executive Board is responsible for day-to-day management with reference to the Board of Directors. The tasks of the Board of Directors and the Executive Board are further described in the rules of procedure for the Board of Directors and the Executive Board respectively. The tasks described include those stipulated in the Danish Companies Act.

During all of 2019 the Board of Directors consisted of six members, all elected by the general meeting. The Board of Directors had established three board committees: Audit Committee (two members), Remuneration Committee (three members) and Nomination Committee (three members). Two board members were members of two committees and the remaining four board members were each member of one committee. The Audit Committee assists the Board of Directors in the supervision of issues concerning accounting, auditing, internal controls and risk management. The Remuneration Committee oversees developments in salary and incentive pay, including whether the share-based incentive programme promotes continuous and long-term value creation for shareholders. The Remuneration Committee also prepares recommendations to the Board of Directors on remuneration policy. The Nomination Committee assists the Chairman in carrying out the Board of Directors' self-evaluation as well as in identifying and recommending candidates for the Board of Directors to propose to the general meeting based on the relevant collective competences to have represented among the board members and the conclusions from the Board of Directors' self-evaluation process. The Nomination Committee is also involved in the recruitment of members to the Executive Board and members of group management as well as managing directors in the subsidiaries. The Nomination Committee calls on specific board members to take part of the recruitment if they can contribute to the recruitment with any special experience within the country and/or function that the recruitment concerns. The charter for each board committee is available on the company's website, www.HplusH.com.

The company's Executive Board consists of the CEO and the CFO.



INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS FOR THE FINANCIAL REPORTING PROCESS

General

H+H International A/S's Board of Directors and Executive Board are ultimately responsible for the Group's risk management and internal control environment in relation to financial reporting, including compliance with relevant legislation and other regulations in relation to financial reporting. The Audit Committee assists the Board of Directors in its responsibilities in this respect by researching and preparing various matters which are then presented to the Board of Directors for information and decision. The Audit Committee held four meetings in 2019.

H+H's risk management, including internal controls in relation to the financial reporting process, is designed to effectively minimise the risk of errors and omissions. The Board of Directors, the Audit Committee and the Executive Board regularly assess material risks and internal controls in relation to the Group's activities and their potential impact on the financial reporting. H+H's risk management and internal control environment are developed and improved on an ongoing basis.

The financial reporting to Group Finance includes budget reporting and monthly reporting, including reporting of deviations, as well as periodic adjustment of the estimates for the year.

Control environment

The Board of Directors and the Audit Committee assess H+H's organisational structure and staffing in key areas at least once a year. The aim is a well-defined organisational structure, unambiguous reporting lines, delegated authorities and documentation, and appropriate segregation of duties ("the four-eye principle").

The Audit Committee and ultimately the Board of Directors consider whether there is a need for an internal audit function at least once a year. Given that H+H's existing control procedures and the regular reporting on control activities to the Audit Committee are deemed satisfactory, neither the Audit Committee nor the Board of Directors currently sees any need to set up an internal audit function at H+H International A/S.

The Board of Directors or the Executive Board establishes and approves group-wide policies, procedures and controls in relation to the financial reporting process, including the H+H Accounting Manual, which prescribes processes, internal control measures, segregation of duties, reconciliation, approval, authorisation, accounting practices, internal and external reporting etc. The Executive Board has entrusted Group Finance with the responsibility of acting as the central controlling function for the Group, and in this role Group Finance monitors and checks compliance with group policies, procedures etc. at subsidiaries on a continuous basis. The Executive Board regularly reports to the Audit Committee and/or the Board of Directors on any material findings.

Risk evaluation

The Audit Committee and the Executive Board carry out an overall assessment of the risks related to the financial reporting processes at least once a year. As part of their risk assessment, the Board of Directors, the Audit Committee and the Executive Board continuously consider the risk of fraud and the measures that



need to be taken with a view to mitigating or eliminating such risks. Based on the outcome of the risk assessment, revisions to the H+H Financial Risk Management Policy are considered and implemented. The policy includes a description of the main risks related to the financial reporting process as well as the actions to be taken in order to eliminate or reduce the risks identified.

Control activities, including monitoring

The definition of the specific control activities is based on the risk assessment at any given time. Group Finance ensures that the financial reporting processes etc. set out in the various H+H policies are implemented and monitored. This ensures a uniform make-up and structure of the Group's internal controls. The aim of H+H's control activities is to ensure that the policies, manuals and other procedures defined by the Board of Directors and/or the Executive Board are adhered to. These activities also ensure that any errors, deviations and omissions are prevented, detected and corrected. H+H regularly implements new financial reporting processes as well as controls intended to assist in further mitigating the risks. The control activities are carried out pursuant to certain set requirements in respect of frequency and documentation, obtaining assurance of the existence of the assets claimed in the reporting, reconciliation, the financial analysis to be applied etc. The scope and frequency of the control measures applied with respect to each subsidiary depend on the risk assessment and the subsequent risk rating made on an ongoing basis in respect of each subsidiary.

Any weaknesses, lack of control, breach of group policies etc. or other material deviations identified during the control activities are reported by Group Finance to the Executive Board. Group Finance prepares a report describing the findings made for each control visit at a subsidiary, and the material findings are comprised in a report discussed with the Audit Committee. Depending on whether the findings are serious or touch on matters of principle, the findings are ultimately conveyed to the Board of Directors for their information and consideration. In addition to Group Finance's reports for each control visit, H+H International A/S's external auditor reports in the audit book to the Board of Directors on any material weaknesses identified in the Group's internal control systems in relation to the financial reporting process. Less important issues are communicated directly to the Executive Board. When weaknesses or faults in the control system are detected, the Audit Committee oversees whether the Executive Board reacts effectively and whether agreed actions to strengthen risk management and internal controls in relation to the financial reporting process are implemented according to plan.

PRINCIPLES FOR GOOD CORPORATE GOVERNANCE

As a listed company, H+H International A/S is subject not only to the requirements laid down in the Danish Financial Statements Act, but also the *Rules for issuers of shares* issued by the Danish stock exchange (Nasdaq Copenhagen). Under these rules, H+H International A/S must disclose whether or not the company complies with the *Recommendations on Corporate Governance* issued by the Committee on Corporate Governance in Denmark, and the reason for any non-compliance with a recommendation must be given together with a description of the company's alternative practice within that area, if any. This reporting is to take place annually and be published together with the annual report for the financial year in question.

The *Recommendations on Corporate Governance* can be found on www.corporategovernance.dk as well as in H+H's corporate governance reporting table for the 2019 financial year below:

CORPORATE GOVERNANCE REPORT FOR 2019

- Non-compliance with the recommendation
- Partial compliance with the recommendation
- Compliance with the recommendation

Corporate governance recommendation	Level of compliance	H+H's reasoning in case of non-compliance
1. Communication and interaction by the company with its investors and other stakeholders		
1.1. Dialogue between company, shareholders and other stakeholders		
1.1.1. The Committee recommends that the board of directors ensure ongoing dialogue between the company and its shareholders, so that the shareholders gain relevant insight into the company and in order for the board of directors to be aware of the shareholders' views, interests and opinions in relation to the company.		
1.1.2. The Committee recommends that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders, and that the board of directors ensure that the interests of the stakeholders are respected in accordance with company policies.		
1.2. <i>General meeting</i>		
1.2.1. The Committee recommends that in organising the company's general meeting, the board of directors plans the meeting to support active ownership.		

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1.2.2. The Committee recommends that proxies or votes by post for the general meeting allow shareholders to consider each individual item on the agenda.		
<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. The contingency procedures should establish that 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.		
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 annually the board of directors consider the matters that should be included in the board's performance of its work.		
2.1.2. The Committee recommends that at least once annually the board of directors consider the overall strategy of the company with a view to ensuring value creation in the company.		



Corporate governance recommendation	Level of compliance	H+H's reasoning in case of non-compliance
2.1.3. The Committee recommends that the board of directors ensure that the company has a capital and share structure which supports that the strategy and long-term value creation of the company are in the best interest of the shareholders and the company, and that the board of directors explain this in the management commentary and/or on the company's website.	Green	
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's reporting to the board of directors.	Green	
2.1.5. The Committee recommends that at least once annually, the board of directors discuss the composition, developments, risks and succession plans of the executive board.	Green	
<i>2.2. Corporate social responsibility</i>		
2.2.1. The Committee recommends that the board of directors adopt policies on corporate social responsibility.	Green	
<i>2.3. Chairman and vice-chairman of the board of directors</i>		
2.3.1. The Committee recommends appointing a vice chairman of the board of directors, who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective sparring partner for the chairman.	Red	The Board of Directors has decided not to have a chairmanship with a chairman and a deputy chairman, but rather just have a chairman. Even though H+H has grown in market size and number of production facilities, which has increased the complexity of the business and the work load on the Board of Directors, it is the belief that so far the extra work load is best managed by the Chairman of the Board of Directors instead of a chairmanship, since the majority of the extra work load concerns



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		the same few issues, including in particular issues relating to H+H's acquisition strategy. Not having a chairmanship creates better flexibility and agility as well as in depth knowledge, all of which are important in relation to acquisition processes. The Board has put in place procedures to ensure that the Board can function in case the Chairman cannot attend meetings on a temporary basis.
<p>2.3.2. The Committee recommends that, if the board of directors, in exceptional cases, asks the chairman of the board of directors or other board members to perform special activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect should be passed to ensure that the board of directors maintains its independent, general management and control function. Resolutions on the chairman's or other board members' participation in day-to-day management and the expected duration hereof should be publicly announced.</p>		
3. Composition and organisation of the board of directors		
<i>3.1. Composition</i>		
<p>3.1.1. The Committee recommends that the board of directors annually evaluate and in the management commentary account for</p> <ul style="list-style-type: none"> • the competencies that it must have to best perform its tasks, • the composition of the board of directors, and the special competencies of each member. 		



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<p>3.1.2. The Committee recommends that the board of directors annually discuss the company's activities to ensure relevant diversity at management levels and prepare and adopt a policy on diversity. The policy should be published on the company's website.</p>		
<p>3.1.3. The Committee recommends that the selection and nomination of candidates for the board of directors be carried out through a careful and transparent process approved by the board of directors. When assessing its composition and nominating new candidates, the board of directors should, in addition to the need for competencies and qualifications, take into consideration the need for integration of new talent and diversity.</p>		
<p>3.1.4. The Committee recommends that the notice convening a general meeting where the agenda includes the election of members to the board of directors, include (in addition to the statutory requirements) a description of the qualifications of nominated candidates, including information about the candidates'</p> <ul style="list-style-type: none"> • other executive functions, including positions on executive boards, boards of directors and supervisory boards, including board committees, in Danish and foreign enterprises, and • demanding organisational tasks. <p>Furthermore, it should be indicated if the candidates to the board of directors are considered independent.</p>		



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<p>3.1.5. The Committee recommends that members of the company's executive board be not members of the board of directors and that a resigning chief executive officer be not directly elected as chairman or vice chairman for the same company.</p>		
<p>3.1.6. 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.</p>		
<p><i>3.2. Independence of the board of directors</i></p>		
<p>3.2.1. The Committee recommends that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests.</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 a member of the executive board, or senior staff member in the company, a subsidiary or an associated company, • within the last five years, have received significant remuneration from the company/group, a subsidiary or an associated company in a different capacity than as member of the board of directors, • represent or be associated with a controlling shareholder, • within the past year, have had significant business relations (e.g. personally or indirectly as partner or employee, shareholder, customer, supplier or 		



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<p>member of management in companies with corresponding connection) with the company, a subsidiary or an associated company.</p> <ul style="list-style-type: none"> • be or within the past three years have been employed or been a partner in the same company as the auditor elected by the general meeting, • be part of the executive management in a company with cross-management representation in the company, • have been a member of the board of directors for more than 12 years, or • be a close relative with persons who are not considered independent. <p>Even if a member of the board of directors is not covered by the above criteria, certain conditions may exist that will lead the board of directors to decide that one or more members cannot be regarded as independent.</p>		
<p><i>3.3. Members of the board of directors and the number of other management functions</i></p>		
<p>3.3.1. The Committee recommends that each member of the board of directors assess the expected time commitment for each function so that the member does not take on more functions than he/she can complete at a satisfactory level for the company.</p>		
<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 and gender of the person in question, • the person's competencies and qualifications that are relevant to the company • whether the member is considered independent, 		

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<ul style="list-style-type: none"> the member's date of appointment to the board of directors, expiry of the current election term, the member's participation in the meetings on the board of directors and committee meetings, other management functions, including memberships in executive boards, boards of directors, and supervisory boards, including board committees in Danish and foreign enterprises and demanding organisational tasks, and <p>the number of shares, options, warrants and similar owned by the member in the company and other group companies, as well as changes to the member's portfolio of the mentioned securities which have occurred during the financial year.</p>		
<p>3.3.3. The Committee recommends that the annual evaluation procedure, cf. section 3.5, include an evaluation of what is regarded as a reasonable level for the number of other management functions, where the number, level and complexity of the other individual management functions are taken into account.</p>		
<p><i>3.4. Board committees</i></p>		
<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 		



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<p>the names of the members of each committee, including the chairmen of the committees, as well as information regarding which members are independent members and which members have special competencies.</p>		
<p>3.4.2. The Committee recommends that a majority of the members of a board committee be independent.</p>		
<p>3.4.3. The Committee recommends that the members of the board of directors set up an <u>audit committee</u> and that a chairman is appointed who is not the chairman of the board of directors.</p>		
<p>3.4.4. The Committee recommends that, prior to the approval of the annual report and other financial reports, the audit committee monitor and report to the board of directors about:</p> <ul style="list-style-type: none"> • significant accounting policies, • significant accounting estimates, • related party transactions, and <p>uncertainties and risks, including in relation to the outlook for the current year.</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 function and, in such a case, presents mandates and recommendations on selecting, appointing 		



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<p>and removing the head of any internal audit function and on the budget of the internal audit function,</p> <ul style="list-style-type: none"> ensure that if an internal audit has been established, a description of its functions is available and approved by the board of directors, ensure that if an internal audit has been established, adequate resources and competencies are allocated to carry out the work, and <p>monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function.</p>		
<p>3.4.6. The Committee recommends that the board of directors establish a <u>nomination committee</u>, which is at least, responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> describing the qualifications required by the board of directors and the executive board and for a given position, indicating the time expected to be spent carrying out a specific position, as well as assessing the competencies, knowledge and experience found in the two governing bodies, annually assessing the structure, size, composition and results of the board of directors and the executive board and recommend any changes to the board of directors, annually assessing the competencies, knowledge, experience and succession of the individual members of management and report to the board of directors in this respect, recommending candidates for the board of directors and the executive board, and <p>proposing an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.</p>		



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<p>3.4.7. The Committee recommends that the board of directors establish a <u>remuneration committee</u>, which is at least, responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> • recommending 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, • making proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensuring 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 on the total remuneration that members of the board of directors and the executive board receive from other companies in the group, • recommending a remuneration policy applicable for the company in general and assisting with the preparation of the annual remuneration report. 		<p>The Board of Directors has established a Remuneration Committee with the said preparatory tasks, except that the Committee has only recommended a remuneration policy for the Board of Directors and the Executive Board, but not for the company in general, since such policy would apply only to around 15 additional employees with very different areas and levels of responsibility and thus also levels and remuneration packages.</p>
<p>3.4.8. The Committee recommends that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p>		
<p>3.5. <i>Evaluation of the performance of the board of directors and the executive board</i></p>		
<p>3.5.1. The Committee recommends that the board of directors establish an evaluation procedure for an annual evaluation of the board of directors and the</p>		



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<p>individual members. External assistance should be obtained at least every third year. The evaluation should inter alia include:</p> <ul style="list-style-type: none"> • contribution and results, • cooperation with the executive board, • the chairman's leadership of the board of directors, • the composition of the board of directors (including competencies, diversity and the number of members), • the work in the committees and the committee structure, and • the organisation and quality of the material that is submitted to the board of directors. <p>The evaluation procedure and the general conclusions should be described in the management commentary and on the company's website. The chairman should account for the evaluation of the board of directors, including the process and general conclusions on the general meeting prior to the election of the board of directors.</p>		
<p>3.5.2. The Committee recommends that at least once annually, the board of directors evaluate the work and performance of the executive board in accordance with pre-defined criteria. Furthermore, the board of directors should evaluate the need for changes to the structure and composition of the executive board, in light of the company's strategy.</p>		



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<p>3.5.3. 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 formalised dialogue between the chairman of the board of directors and the chief executive officer, and that the outcome of the evaluation be presented to the board of directors.</p>		
<p>4. Remuneration of management</p>		
<p><i>4.1. Form and content of the remuneration policy</i></p>		
<p>4.1.1. The Committee recommends that the board of directors prepare a remuneration policy for the board of directors and the executive board, which includes</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, • a description of the criteria that form the basis for the balance between the individual components of the remuneration, and • an explanation for the correlation between the remuneration policy and the company's long-term value creation and relevant related goals. <p>The remuneration policy should be approved by the general meeting at least every fourth year and upon any material amendments and it should be published on the company's website.</p>		



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<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 composition be ensured between remuneration for members of management and the value creation for shareholders in the short and long term, • clarity be established about performance criteria and measurability for the award of variable components, • it is ensured that variable remuneration not only consists of short-term remuneration components, and that long-term remuneration components must have a vesting or maturity period of at least three years, and <p>it be ensured that the company has the ability to reclaim, in full or in part, variable components of remuneration that were paid on the basis of information, which subsequently are found to be incorrect.</p>		
<p>4.1.3. The Committee recommends that remuneration of members of the board of directors does not include share options or warrants.</p>		
<p>4.1.4. The Committee recommends that if, in relation to long-term incentive programmes, a share-based remuneration is used, the programmes should have a vesting or maturity period of at least three years after being allocated and should be roll-over programmes, i.e. the options should be granted periodically.</p>		

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4.1.5. The Committee recommends that the total value of the remuneration relating to the notice period, including severance pay, do not exceed two years of remuneration, including all components of the remuneration.		
<i>4.2. Disclosure of remuneration</i>		
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.		
4.2.2. The Committee recommends that shareholders at the general meeting consider proposals for approval of remuneration for the board of directors for the current financial year.		
<p>4.2.3. The Committee recommends that the company prepares a remuneration report that includes information on the total remuneration received by each member of the board of directors and the executive board from the company and other companies in the group and associated companies for the last three years, including information on the most important content of retention and resignation arrangements and that the correlation between the remuneration and company strategy and relevant related goals be explained.</p> <p>The remuneration report should be published on the company's website.</p>		<p>The Shareholder Rights Directive II (SRD II) was implemented into Danish legislation in 2019. According to the new section 139b of the Danish Companies Act, a remuneration report must be made for financial years that start after 19 June 2019 when section 139b was enacted. Consequently, the Company will make a remuneration report for the financial year 2020, release the report in connection with the release of the annual report for 2020 in March 2021 and present the remuneration report at the annual general meeting in 2021.</p>



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5. Financial reporting, risk management and audits		
<i>5.1. Identification of risks and transparency about other relevant information</i>		
5.1.1. The Committee recommends that the board of directors consider and in the management commentary 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.		
<i>5.2. Whistleblower scheme</i>		
5.2.1. The Committee recommends that the board of directors establish a whistleblower scheme for expedient and confidential notification of serious wrongdoing or suspicions thereof.		
<i>5.3. Contact to auditor</i>		
5.3.1. The Committee recommends that the board of directors ensure regular dialogue and exchange of information between the auditor elected by the general meeting and the board of directors, including that the board of directors and the audit committee meet with the auditor elected by the general meeting at least once annually without the executive board present. This also applies to the internal auditor, if any.		

11 March 2020

Published at www.HplusH.com/governance-statement



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5.3.2. The Committee recommends that the audit agreement and auditor's fee be agreed by the board of directors and the auditor elected by the general meeting based on a recommendation from the audit committee.		