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January 2008, GlobalDenmark Translations

Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups¹

Executive Order no. 1224 of 22 October 2007

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The following shall be laid down pursuant to section 199(11) and section 373(4) of the Financial Business Act, cf. Consolidated Act no. 1045 of 22 August 2007 as amended by Act no. 108 of 7 February 2007, section 71(10), section 113, section 114f and section 132(3) of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act, cf. Consolidated Act no. 1052 of 29 August 2007, and section 5(2) and section 14(2) of "*lov om et skibsfinansieringsinstitut*" (act on a ship financing institution), cf. Consolidated Act no. 745 of 19 July 2005 as amended by Act no. 577 of 6 June 2007:

Part 1

Scope

1.-(1) This Executive Order shall apply to financial undertakings, cf. section 5(1), no. 1, of the Financial Business Act, and investment associations, special-purpose associations restricted associations and hedge associations cf. section 4(1), section 5(1), section 111 and section 114a(1) and (2) of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act as well as Danmarks Skibskredit A/S.

(2) This Executive Order shall also apply to groups as a whole, cf. section 5(1), no. 9 of the Financial Business Act and to individual undertakings in groups where the parent undertaking is a financial undertaking or a financial holding company, cf. section 5(1), no. 10, of the Financial Business Act.

General conditions

2.-(1) If assurance reports and information under this Executive Order are issued with an unqualified opinion, they shall be rendered verbatim, cf. annex 1. Assurance reports and information which cannot be given verbatim shall be mentioned and listed separately.

(2) Confirmations in accordance with this Executive Order shall be reproduced verbatim, cf. annex 1. If the confirmations cannot be reproduced verbatim, they shall be mentioned and listed separately.

(3) Assurance reports, information and confirmations which are issued with emphasis of matter shall be mentioned and listed separately.

¹ This Executive Order contains provisions implementing Commission Directive 2006/73/EC of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

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Part 2

The external auditors

3. The external auditors shall audit the annual report and the consolidated financial statements in accordance with generally accepted auditors' behaviour and verify that such statements are presented in accordance with the requirements stipulated in Danish legislation and any other provisions as regards the presentation of financial statements.

The external auditors' audit book

4.-(1) For undertakings registered in Denmark, the external auditors shall prepare and maintain an audit book to be used by the board of directors. The audit book shall provide an account of the audit executed during the year which may provide the basis for audit sub-conclusions. The audit book shall be presented at all meetings of the board of directors, and all additional entries made in the audit book shall be signed by the full board of directors and the chief internal auditor.

(2) The audit book comments relating to the annual report shall provide an account of the audit made and the conclusions of such audit. In a separate section of the audit book comments relating to the annual report, the external auditors shall provide a summary of all observations which the audit has given cause to present to the board of directors. The summary shall present a status of the observations made for the accounting year in question, and a status of the observations still pending in the audit book comments for the previous annual report, cf. annex 2.

(3) In a separate section of the audit book comments relating to the annual report the external auditors shall account for any assistance or consultancy carried out, cf. the relevant provisions in the "*bekendtgørelse om statsautoriserede og registrerede revisorerers erklæringer m.v.*" (executive order on assurance reports issued by state-authorized public accountants and registered public accountants, etc.).

(4) In connection with information on any assistance or consultancy carried out, as a minimum the external auditors shall confirm in the audit book comments relating to the annual report that the ban in section 11(2), no. 8, para. a in the "*lov om statsautoriserede og registrerede revisorer*" (Act no. 302 of 30 April 2003 on state-authorized public accountants and registered public accountants) has been complied with, including that the auditor or other persons in the audit firm has not taken part in bookkeeping or similar registration of data that forms the basis for the annual report or other conditions on which an assurance report is to be issued, or assisted in preparation of the annual report or any other document relating to the assurance report. The confirmation shall be issued irrespective of whether assistance or consultancy have been carried out.

(5) In a separate section of the audit book comments relating to the annual report, the external auditors shall provide information on errors which have not been corrected. The information shall be provided per error with a statement of the amount and the effect on items in the financial statements. Errors which are not corrected and which are less than the triviality limit may be omitted if information is provided about the triviality limit applied and the net effect of the total errors less than the triviality limit not corrected. If all errors are corrected or if no errors are found, this shall be disclosed.

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Information

5.-(1) The audit book comments relating to the annual report shall state whether

- 1) the financial undertaking's guidelines under section 77(4) of the Financial Business Act or the association's guidelines under section 34(4) of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act., are adequate and have functioned appropriately, cf. section 77(5) of the Financial Business Act and section 34(5) of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act,
- 2) verification in accordance with section 77(5) of the Financial Business Act and section 34(5) of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act has given rise to observations,
- 3) procedures have been established with a view to complying with the provisions laid down in section 182 of the Financial Business Act, and
- 4) material errors or omissions have been ascertained during examination of transactions between the undertaking and undertakings covered by section 2 of the Executive Order on Intra-Group Transactions, cf. section 6, no. 3, and give a detailed description of material or extraordinary transactions.

(2) For undertakings with internal audit, the audit book comments relating to the annual report shall state whether:

- 1) the tasks agreed upon in accordance with the audit agreement have been carried out, and whether the internal auditors perform their duties in a satisfactory manner, including that the external auditors have not become aware of circumstances which, individually or together compromise the independence of the internal auditors from the day-to-day management, and
- 2) the external auditors concur with the contents of the audit book comments prepared by the internal auditors for the accounting year, and, where this is not the case, the cause of the disagreement.

(3) The audit book comments relating to the annual report for parent companies shall include reference to material observations on accounting and audit matters in individual subsidiary undertakings.

(4) A copy of the audit book comments relating to the annual report shall be submitted by the undertaking to the Danish FSA with a copy of the annual report and consolidated financial statements approved by the board of directors. Similarly, a copy of the audit book comments for subsidiary undertakings with their registered offices in Denmark shall be submitted.

Assurance reports

6. The audit book comments relating to the annual report shall issue an assurance report as to whether:

- 1) the undertaking's administrative practises and accounting practises within significant areas, including procedures and internal control procedures, are adequate in their planning and execution. In this connection the external auditors shall also state whether

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- a) the overall system security, data security, and operational security in the undertaking is adequate,
 - b) the undertaking's holdings of securities, etc., are properly controlled,
 - c) bookkeeping is organised in a manner which facilitates reporting to the Danish FSA,
 - d) the external auditors are aware of conditions which are in conflict with the requirements in legislation regarding financial undertakings and associations
- 2) the exposures authorised by the board of directors to, and collateralisation received from, members of the board of directors, members of the board of management, and undertakings in which such persons are members of the board of management or members of the board of directors are in accordance with the usual terms and conditions applied by the undertaking and on market-based terms, cf. section 78(2) of the Financial Business Act.
 - 3) the financial undertaking has exposures with enterprises covered by section 80(1) and (2) of the Financial Business Act, cf. section 80(8), 2nd clause of the Financial Business Act.

Miscellaneous provisions

7. Sections 4(4), 5(1) and section 6, no. 1, paras. c and d, and nos. 2-3, shall not apply to audit book comments for subsidiary undertakings which are not financial undertakings, cf. section 1(1).

8. If the undertaking has an internal audit function which meets the requirements stipulated in part 3, the external auditors may agree with the chief internal auditor that the statements under section 4(2), 2nd and 3rd clauses, section 4(5), section 5(1), nos. 3 and 4, section 6, no. 1, sections 23-24 and 26, section 28, no. 1, sections 30-32 and 36 are only to appear in the audit book of the internal auditors. Such agreements shall be included in the audit agreement, cf. section 15.

Part 3

The internal auditors

9.-(1) The board of directors may decide to establish an internal audit function, cf. however subsection (3). If an internal audit function is not established, the board of directors shall discuss the need to establish an internal audit function, taking into consideration the complexity of the undertaking, including whether the undertaking outsources or insources activities. The decision of the board of directors shall be entered in the minute book of the board of directors.

(2) If, in pursuance of subsection (1), a board of directors decides to establish an internal audit function, the provisions regarding internal auditors shall apply.

(3) Undertakings which, in the two latest financial years at the balance-sheet date have on average had 125 full-time employees or more, shall establish an internal audit function.

(4) Subsections (1) and (3) shall apply correspondingly for groups.

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(5) The provisions of subsections (3)-(4) shall not apply for investment associations, special-purpose associations, restricted associations, hedge associations and Danmarks Skibskredit A/S.

10.-(1) The internal audit function shall be under the management of a chief internal auditor. Recruitment and dismissal of a chief internal auditor may only be carried out by the board of directors. Recruitment and dismissal of a chief internal auditor may be carried out for the group as a whole.

(2) The chief internal auditor shall hold academic qualifications corresponding to the qualifications required to become a state-authorized public accountant or a registered public accountant.

(3) Upon assuming his duties, the chief internal auditor shall have participated in practical auditing for a total period of no less than three years within the last five years.

(4) In special circumstance the Danish FSA may grant exemption from the requirements in subsections (2)-(3).

(5) The board of directors may appoint one or more deputy chief internal auditors.

(6) The board of directors may appoint a deputy chief internal auditor to stand proxy for the chief internal auditor.

(7) The provisions laid down in subsections (1)-(4), section 11(1)-(3), and section 12 on the chief internal auditor shall apply correspondingly to deputy chief internal auditors, including proxies.

11.-(1) The Danish FSA shall be informed of the appointment of a new chief internal auditor no later than one month after his appointment.

(2) When submitting notification of the appointment of a chief internal auditor to the Danish FSA, cf. subsection (1), the board of directors shall submit a statement to the effect that the chief internal auditor meets the requirements stipulated in section 10(2) and (3).

(3) When the chief internal auditor resigns or is dismissed, the board of directors and the chief internal auditor shall submit separate explanations as to the reason for such termination of work to the Danish FSA no later than 1 month after the date of termination.

(4) In connection with the statement required in subsection (2), the board of directors shall notify whether the chief internal auditor is to issue a report on the annual report in accordance with section 19.

(5) The board of directors shall notify the Danish FSA of any changes in the decision on the extent to which the chief internal auditor is to issue a report on the annual report.

12.-(1) The chief internal auditor shall have access to all information that he considers necessary to carry out audits, including the minutes book of the board of directors.

(2) The chief internal auditor and the staff within the internal audit function shall not take part in any other work within the undertaking or group than audit work.

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(3) The internal audit function may not accept duties when circumstances exist which may raise doubts in a well informed third party about the independence of the internal audit function.

13. Chief internal auditors and deputy chief internal auditors may, cf. section 77(10) of the Financial Business Act, not have financial interests in the undertaking or group in which they are employed.

14.-(1) Undertakings and groups with an internal audit function shall prepare an internal audit charter to be approved by the board of directors. Such a charter may be prepared for the group as a whole and be adopted by the boards of directors of the individual undertakings within the group. As a minimum, the charter shall include the following:

- 1) provisions on the internal auditors' standard powers, responsibilities, and tasks,
- 2) provisions on staff qualifications,
- 3) how and to what extent the chief internal auditor and the staff within the internal audit function are to be guaranteed continuous education,
- 4) provisions stipulating that all recruitment and dismissal of staff within the internal audit function is to be carried out or approved by the chief internal auditor, and that the educational qualifications are to be approved by the chief internal auditor,
- 5) provisions on the internal auditors' budget, including provisions stipulating that such budgets are to be approved by the board of directors and such approval is to appear in a board minute, and
- 6) information on agreements between the management and the internal auditors on the execution of special auditing tasks. Non-recurring tasks and tasks which are temporary in nature need only appear in the internal auditors' audit book.

(2) The internal auditors may only accept tasks, cf. subsection (1), no. 1 which they are adequately qualified to carry out.

(3) The tasks mentioned in subsection (1), no. 6 may not bring the chief internal auditor into a situation where he issues an assurance report or provides information or evidence on conditions or documents for which the chief internal auditor or employees in the internal audit function have prepared the basis.

15.-(1) In undertakings and groups with an internal audit function, all auditing shall be carried out in accordance with generally accepted auditing practise and in accordance with an audit agreement between the external auditors and the chief internal auditor. Such an audit agreement may be prepared for the group as a whole. The audit agreement shall contain

- 1) an overall description of the auditing tasks to be performed and of which of these tasks are the responsibility of the external auditors and the internal auditors, respectively,
- 2) guidelines on cooperation between the external auditors and the internal auditors, including guidelines on the tasks to be performed by the external auditors in connection with examination of the work carried out by the internal auditors, and
- 3) a description of how, and to what extent, information on the audit carried out is to be exchanged between the internal and external auditors.

(2) If the chief internal auditor issues a report on the annual report, cf. section 11(4) and section 19(2), the audit agreement shall state that the chief internal auditor is to participate in the audit of the material and high-risk areas. Participation shall mean that, in these areas, the chief internal auditor carries out part of the work which, in undertakings where the chief

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internal auditor is not to issue a report on the annual report, would only be carried out by the external auditors.

16.-(1) In undertakings with a chief internal auditor, this chief internal auditor shall also be the chief internal auditor of all undertakings within the group which are covered by section 1(2), i.e. irrespective of whether or not the undertaking is a financial undertaking.

(2) Subsection (1) shall not apply where undertakings are operated on a temporary basis with a view to execution of exposures previously entered into or with a view to participation in restructuring of commercial undertakings.

The internal auditors' audit book

17.-(1) For undertakings registered in Denmark, the internal auditors shall prepare and maintain an audit book to be used by the board of directors. The audit book shall provide an account of the audit executed during the year which may provide the basis for audit sub-conclusions. The audit book shall be presented at all meetings of the board of directors, and all additional entries made in the audit book shall be signed by the full board of directors.

(2) The chief internal auditor shall present the audit book comments for the year, the audit plan and the budget for the internal audit at the relevant meeting(s) of the board of directors.

(3) The internal auditors' audit book comments relating to the annual report shall provide an account of the audit performed, including how the internal audit function has participated in the audit of the material and high-risk areas, and the conclusions of such audit. In a separate section of the audit book comments relating to the annual report, the internal auditors shall provide a summary of all observations which the audit has caused to be made to the board of directors. The summary shall contain a status of the observations made on the accounting year in question, and a status of the observations appearing as pending in the audit book comments relating to the annual report for the previous year, cf. annex 2.

(4) In a separate section of the audit book comments relating to the annual report, the chief internal auditor shall, as a minimum confirm that the chief internal auditor has not been brought into a situation where he issues assurance reports or provides information or evidence on conditions for which the chief internal auditor or employees in the internal audit function have prepared the basis, cf. section 14(3).

(5) The audit book comments relating to the annual report shall state whether the internal auditors have received all the information requested.

(6) In the event that audit book comments relating to the annual report are not prepared, no less than one set of audit book comments shall be issued each year in which subsections (3)-(5) shall appear.

(7) Section 5(3)-(4) and section 7 shall apply correspondingly to the internal auditors' audit book comments relating to the annual report.

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Part 4

The auditors' report

18.-(1) The external auditors' report on the annual report, including the consolidated financial statements as well as the annual report for subsidiary undertakings shall be given in accordance with the "*lov om statsautoriserede og registrerede revisorer*" (act on state-authorized public accountants and registered public accountants) and the provisions issued pursuant to this.

(2) The requirement on auditors' reports on the annual reports of subsidiary undertakings shall only apply where the external auditors carried out the audit.

19.-(1) The chief internal auditor shall issue a report on the annual report, including the consolidated financial statements, and the annual report for subsidiary undertakings with registered offices in Denmark, provided this has been decided pursuant to section 11(4), cf. however section 16(2).

(2) The chief internal auditor's report shall signify that the internal audit has been carried out in accordance with the audit agreement, cf. section 15.

(3) The report shall include a brief description of the audit performed, including that the internal audit function has participated in the audit of the material and high-risk areas, as well as conclusions to this. This shall be disclosed separately if the audit covers other aspects than the annual report. Any unqualified opinions or emphasis of matter shall be clearly described in the report.

Part 5

Common provisions

20. A financial undertaking or an undertaking within the same group may not authorise exposures to or receive collateralisation from the external auditors, the chief internal auditor, or a deputy chief internal auditor. This shall not apply, however, to loans granted by a life-assurance company within the repurchase value of an insurance policy issued by said life-assurance company.

21. If the external auditors or the internal auditors presume that a financial undertaking does not meet or, within the foreseeable future, will not be able to meet solvency requirements, cf. sections 124-126 of the Financial Business Act, or capital requirements pursuant to sections 4(7), 5(7), 9, nos. 3 and 4 and section 111(6) and section 114a(6) of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act, such persons shall immediately notify the Danish FSA of this fact.

22. When submitting information and assurance reports, cf. sections 5-6, 23-24, 26 and 28-32, an evaluation shall be made of whether they are relevant to the undertaking in question. Where specific information or an assurance report is not required in relation to an undertaking, such omission shall be explained in the audit book comments.

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Part 6

Special provisions for banks

23. In their audit book comments relating to the annual report and the consolidated financial statements, the external auditors shall state whether:

- 1) the bank's measurement of loans and guarantees has been carried out in accordance with the regulations for this, and
- 2) the bank is in a position to calculate the covered assets of individual depositors and investors.

24. -(1) The external auditors shall reproduce in the audit book comments relating to the annual report a statement prepared by the bank of the following exposures, cf. however subsection (5):

- 1) The bank's 10 largest exposures.
- 2) Other exposures which exceed 10 per cent of the base capital calculated in accordance with the regulations in section 145 of the Financial Business Act.
- 3) Other material exposures, if in the opinion of the bank and/or auditors these justify mentioning to the board of directors.

(2) The statement made pursuant to subsection (1) shall, for each exposure, include information on

- 1) the size of exposure,
- 2) any pledged frameworks for forward transactions and other transactions in derivative financial instruments,
- 3) deposited collateral and its estimated value,
- 4) whether an exposure has been written down individually,
- 5) whether amortisation or write-downs of the exposures have been carried out during the accounting year or the two previous accounting years,
- 6) the debtor's financial circumstances, and
- 7) management's overall assessment of the risk involved in the exposure, taking into account all existing circumstances, including whether management deem the exposure has been measured correctly.

(3) In the audit book comments on the annual report the external auditors shall, further to the management's assessment of the individual exposure

- 1) state the overall assessment of the auditors of the risk in each individual exposure, taking into account all the existing circumstances, and
- 2) issue an assurance report as to whether the individual exposures covered by subsection (1) have been measured correctly.

(4) In groups, cf. section 1(2), the statement and information made pursuant to subsections (1)-(2) as well as the auditor's declaration under subsection (3) shall also be made for the entire group.

(5) The statement pursuant to subsection (1) shall only contain exposures with mortgage-credit institutions and domestic and foreign banks, if special circumstances so warrant.

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Part 7

Special provisions for mortgage-credit institutions

25.-(1) The internal auditors shall review:

- 1) new mortgage-credit loans without public guarantees which are to be authorised by the board of directors in accordance with the board of directors' instructions to the board of management,
- 2) restructuring of loans exceeding DKK 10 million, and
- 3) all other loans.

(2) The review of loans, cf. subsection (1), nos. 1-3 shall be partly through a review of those loans where the loan value or the institution's preconditions for such a value attract special attention in view of the market conditions within the relevant area for standard properties of the type in question, and partly through random, representative sampling of the groups mentioned in subsection (1).

(3) The internal auditors shall also verify that the information registered as data is in compliance with the guidelines issued by the Danish FSA, cf. the Danish FSA selection system.

(4) The audit agreement shall include detailed guidelines on the verification procedures pursuant to subsection (1) and on reporting of the results of such verification to the board of management and board of directors. The report to the board of directors shall include an account of the sampling process and the conclusions made in the review of loans, as well as a separate account of those loans where the auditors consider that the mortgageable value should be less. The report shall appear in the audit book comments relating to the annual report or a copy shall be submitted to the Danish FSA.

(5) In mortgage-credit institutions without an internal audit function, the tasks under subsections (1)-(4) shall be executed by the external auditors.

26. In their audit book comments relating to the annual report and the consolidated financial statements, the external auditors shall state whether:

- 1) the measurement by the mortgage-credit institution of loans, including adjustments to the value resulting as a consequence of the credit risk, has been carried out in accordance with the relevant regulations for this,
- 2) the mortgage-credit institution grants mortgage-credit loans on the basis of anything other than issue of mortgage-credit bonds, covered mortgage-credit bonds, covered bonds and other securities, cf. section 1(1) of the Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act,
- 3) the mortgage-credit institution uses funds obtained through issue of securities for loans, and whether it invests excess funds from block issues in accordance with section 20 of the Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act,
- 4) the mortgage-credit institution keeps the funds in the serial reserve fund separate from the other funds of the institution, cf. section 26(1) of the Mortgage Credit Loans and Mortgage Credit Bonds etc. Act, and
- 5) the mortgage-credit institution is in a position to calculate the covered assets of individual depositors and investors.

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Part 8

Special provisions for insurance companies

27. When the terms "insurance company" or "life-assurance company" are used hereinafter, these shall also apply to lateral pension funds (nationwide occupational pension funds).

28. In their audit book comments relating to the annual report and the consolidated financial statements, the external auditors shall state whether:

- 1) it is reasonable to believe that, taking into account what can reasonably be foreseen, the insurance provisions made are sufficient to cover the company's insurance liabilities on the balance sheet date, but are no larger than is necessary, and
- 2) the insurance company fulfils the statutory requirements regarding investments, including providing information on any comments according to the Executive Order on Registration of Assets of Insurance Companies etc.

29. The external auditors shall issue an assurance report in the audit book comments relating to the annual report whether the statements of capital position and risks as at 31 December submitted to the Danish FSA have been calculated in accordance with the relevant guidelines, cf. Guidelines on Reporting Forms for Information on Capital Position and Risks in Life-Assurance Companies, Non-Life Insurance Companies, Reinsurance Companies, Lateral Pension Funds (Nationwide Occupational Pension Funds) and Industrial Injury Insurance Companies.

Part 9

Special provisions for investment companies and investment management companies

30.-(1) In their audit book comments relating to the annual report for investment companies, the external auditors shall state whether:

- 1) the investment company keeps the customers' cash funds in accordance with section 97(1) of the Financial Business Act and complies with the provisions of section 97(2) of the Financial Business Act,
- 2) customers' securities holdings, etc. are kept separate from the company's own securities etc., cf. section 72(3) of the Financial Business Act,
- 3) the investment company, if it has a license pursuant to section 9(8), 2nd clause of the Financial Business Act and performs services with derivatives, covers such derivatives with other securities dealers,
- 4) the activities carried out by the investment company are in accordance with the company's license to carry out investment activities, cf. annex 4 of the Financial Business Act as well as whether possession of any ownership interests are in accordance with section 26(1) of the Financial Business Act, and
- 5) the investment company is in a position to calculate the covered assets of the individual depositors and investors.

(2) Subsection (1) shall apply correspondingly for investment management companies with authorisation under section 10(2), cf. section 9(1) of the Financial Business Act.

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Part 10

Special provisions for investment associations and special-purpose associations as well as restricted associations and hedge associations

31. In their audit book comments relating to the annual report for investment associations, special-purpose associations as well as restricted associations the external auditors shall state whether:

- 1) calculations of issue prices and redemption prices have been carried out in accordance with the Executive Order issued in pursuance of section 48(5), and section 113 of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act,
- 2) regulations on investment of funds, cf. parts 13-14 for investment associations, cf. part 15 for special-purpose associations and section 113 for restricted associations of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act, have been complied with, and
- 3) the association or a division has been or is below the statutory minimum requirements for the extent of assets, cf. section 4(7), section 5(7), and section 111(6) of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act.

32. In the audit book comments relating to the annual report for hedge associations which are covered by section 114a(1) or (2) of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act the external auditors shall state whether:

- 1) the calculations of the issue prices and redemption prices have been carried out in accordance with the Executive Order issued in pursuance of section 48(5), and section 114f of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act, and
- 2) the association or a division has been or is below the statutory minimum requirements for the extent of assets, cf. section 114a(6) of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act.

33. The audit book comments relating to the annual report for investment associations and special-purpose associations as well as restricted associations and hedge associations shall not include the assurance reports mentioned in section 6, nos. 2 and 3.

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Part 11

Special provisions for securities dealers

34. Securities dealers are banks, mortgage credit institutions, investment companies and investment management companies which are authorised as securities dealers under section 9(1) of the Financial Business Act as well as branches in Denmark of credit institutions, investment firms and management companies which have been granted authorisation to provide investment services in a country outside the European Union with which the Community has not entered into an agreement for the financial area and which carries out such activities in Denmark, hereafter called securities dealers.

35.-(1) The internal audit function shall prepare and implement an audit plan to examine and evaluate the adequacy and effectiveness of the securities dealer's systems, internal control mechanisms and arrangements.

(2) The internal audit function shall, as a minimum, in the audit book comments relating to the annual report, report on the internal audit matters relating to sections 4-5 of the *bekendtgørelse om de organisatoriske krav til og betingelserne for drift af virksomhed som værdipapirhandler* (executive order on the organisation requirements and conditions for operation of activities as a securities dealer) with a statement of whether suitable measures have been taken in the event of any deficiencies.

(3) If an internal audit function has not been established, the information pursuant to section 35(2) shall appear in the audit book comments of the external auditor relating to the annual report.

36. In the audit book comments relating to the annual report and the consolidated financial statements of the external auditor, there shall be information on whether the securities dealer complies with the provisions of section 72(1)-(3) of the Financial Business Act, including that the external auditor is not aware of any conditions which are in conflict with the requirements of the *bekendtgørelse om de organisatoriske krav til og betingelserne for drift af virksomhed som værdipapirhandler* (executive order on the organisation requirements and conditions for operation of activities as a securities dealer).

Part 12

Penalties and entry into force

37.-(1) Any person violating sections 2-6, section 8, 2nd clause, section 9(1), 2nd-3rd clauses and (2)-(3), section 10(1), 1st and 2nd clauses, and (2)-(3) and (7), sections 11-15, section 16(1), section 17, section 18(1), section 19(1) and (3), sections 20-26, sections 28-32 and sections 35-36 shall be liable to a fine.

(2) Companies, etc. (legal persons) may incur criminal liability according to the regulations in chapter 5 of the Criminal Code.

38.-(1) This Executive Order shall enter into force on 1 January 2008 and shall apply for audit book comments relating to the accounting year commencing on 1 January 2007 or later. At the same time Executive Order no. 1363 of 11 December 2006 on Auditing Financial

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Undertakings as well as Financial Groups, as amended by Executive Order no. 688 of 20 June 2007.

(2) The provisions laid down in section 10(2) and (3) shall apply to persons taking on a position as chief internal auditor, proxy chief internal auditor, or deputy chief internal auditor after 1 January 1999.

(3) The provisions of section 35 shall enter into force on 1 November 2007 and shall apply for audit book comments issued on or after 1 January 2008.

The Danish Financial Supervisory Authority, 22 October 2007

Henrik Bjerre-Nielsen

/Lars Østergaard

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Annex 1

Assurance reports and information in the audit book comments relating to the annual report

According to section 2 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, confirmations, assurance reports and information must be reproduced with the same wording as appears in the lists below, if they are issued with an unqualified opinion.

Assurance reports and information which cannot be issued as stated in this annex must be mentioned and listed separately. These separate assurance reports and information must clearly state why it has not been possible to issue them with the wording in this annex.

Note that when issuing the assurance reports and information listed below, an evaluation must be made of whether they are relevant to the enterprise in question. Where specific information or an assurance report is not required in relation to an undertaking, such omission must be explained in the audit book comments, see section 22 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups.

For each of the provisions of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups listed, the following abbreviations are stated:

- "(E)" for the information/assurance reports to be issued by the external auditors,
- "(I)" for the information/assurance reports to be issued by the internal auditors,
- "(E/I)" for the information/assurance reports which, depending on the audit agreement can be issued by either the external or the internal auditors, cf. section 8 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups.

1) Banks

<u>Provision in the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups</u>	<u>Wording of confirmations</u>
	<i>According to section 4(4) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must confirm that:</i>
Section 4(4) (E)	we have complied with the ban on providing assistance and consultancy when there are circumstances which may raise doubt as to our independence with a well informed third party, cf. section 11(2), no. 8, para. a of the " <i>lov om statsautoriserede og registrerede revisorer</i> " (Act no. 302 of 30 April 2003 state-authorized public accountants and registered public accountants), including that

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	- we or other persons in the audit firm have not taken part in bookkeeping or similar registration of data that forms the basis for the annual report or other conditions on which an assurance report is to be issued, and
	- we or other persons in the audit firm have not assisted in the preparation of the annual report or any other document relating to the assurance report
	<i>According to section 17(4) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must confirm that:</i>
Section 17(4) (I)	we have not been in a situation where we have issued assurance reports or provided information or evidence on conditions for which we or employees in the internal audit function have prepared the basis
	<u>Wording of the information</u>
	<i>According to section 5 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 5(1), no. 1 (E)	the financial undertaking's guidelines on control of compliance with the ban on speculation under section 77(4) of the Financial Business Act are adequate and have functioned appropriately
Section 5(1), no. 2 (E)	control of compliance with the ban on speculation according to section 77(5) of the Financial Business Act has not given rise to any observations
Section 5(1), no. 3(E/I)	procedures have been established with a view to complying with the provisions on intra-group exposures in section 182 of the Financial Business Act
Section 5(1), no. 4 (E/I)	no material errors or omissions have been ascertained during examination of transactions between the undertaking and undertakings covered by section 2 of the Executive Order on Intra-Group Transactions
Section 5(1), no. 4 (E/I)	a detailed description of material or extraordinary intra-group transactions has been provided on page... ¹⁾
Section 5(2), no. 1 (E)	the tasks to be carried out by the internal auditors agreed upon in accordance with the audit agreement have been carried out, and that the internal auditors perform their duties in a satisfactory manner, including that the external auditors have not become aware of circumstances which, individually or together compromise the independence of the internal auditors from the day-to-day management
Section 5(2), no. 2 (E)	we concur with the contents of all the audit book

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	comments prepared by the internal auditors for the accounting year
	<i>According to section 17(5) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 17(5) (I)	we have received all the information requested
	<i>According to section 23 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 23, no. 1 (E/I)	the bank's measurement of loans and guarantees has been carried out in accordance with the regulations for this
Section 23, no. 2 (E/I)	the bank is in a position to calculate the covered assets of individual depositors and investors
	<u>Wording of assurance reports</u>
	<i>According to section 6 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must issue an assurance report that states:</i>
Section 6, no. 1 (E/I)	the undertaking's administrative practises and accounting practises within significant areas, including procedures and internal control procedures, are adequate in their planning and execution. In this connection we must also state that
	- the overall system security, data security, and operational security in the undertaking is adequate,
	- the undertaking's holdings of securities, etc., are properly controlled,
	- bookkeeping is organised in a manner which facilitates reporting to the Danish FSA, and
	- we have not become aware of conditions which are in conflict with the requirements in legislation regarding financial undertakings and associations
Section 6, no. 2 (E)	the exposures authorised by the board of directors to, and collateralisation received from, members of the board of directors, members of the board of management, and undertakings in which such persons are members of the board of management or members of the board of directors are in accordance with the usual terms and conditions applied by the undertaking and on market-based terms, cf. section 78(2) of the Financial Business Act
Section 6, no. 3 (E)	the financial undertaking does not have exposures with enterprises owned or operated by members of the board of management or other senior employees or in which the board of management or other senior employees in any

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	other way, participate in the management or operation, cf. section 80(1), (2) and (8), 2 nd clause of the Financial Business Act
	<i>According to section 24 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 24(1) (E/I) ²⁾	the above exposures have been measured correctly ³⁾

2. Mortgage-credit institutions

<u>Provision in the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups</u>	<u>Wording of confirmations</u>
	<i>According to section 4(4) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must confirm that:</i>
Section 4(4) (E)	we have complied with the ban on providing assistance and consultancy when there are circumstances which may raise doubt as to our independence with a well informed third party, cf. section 11(2), no. 8, para. a of the " <i>lov om statsautoriserede og registrerede revisorer</i> " (Act no. 302 of 30 April 2003 state-authorized public accountants and registered public accountants), including that
	- we or other persons in the audit firm have not taken part in bookkeeping or similar registration of data that forms the basis for the annual report or other conditions on which an assurance report is to be issued, and
	- we or other persons in the audit firm have not assisted in the preparation of the annual report or any other document relating to the assurance report
	<i>According to section 17(4) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must confirm that:</i>
Section 17(4) (I)	we have not been in a situation where we have issued assurance reports or provided information or evidence on conditions for which we or employees in the internal audit function have prepared the basis
	<u>Wording of the information</u>
	<i>According to section 5 of the Executive Order on</i>

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	<i>Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 5(1), no. 1 (E)	the financial undertaking's guidelines on control of compliance with the ban on speculation under section 77(4) of the Financial Business Act are adequate and have functioned appropriately
Section 5(1), no. 2 (E)	control of compliance with the ban on speculation according to section 77(5) of the Financial Business Act has not given rise to any observations
Section 5(1), no. 3 (E/I)	procedures have been established with a view to complying with the provisions on intra-group exposures in section 182 of the Financial Business Act
Section 5(1), no. 4 (E/I)	no material errors or omissions have been ascertained during examination of transactions between the undertaking and undertakings covered by section 2 of the Executive Order on Intra-Group Transactions
Section 5(1), no. 4 (E/I)	a detailed description of material or extraordinary intra-group transactions has been provided on page... ⁴⁾
Section 5(2), no. 1 (E)	the tasks to be carried out by the internal auditors agreed upon in accordance with the audit agreement have been carried out, and that the internal auditors perform their duties in a satisfactory manner, including that the external auditors have not become aware of circumstances which, individually or together compromise the independence of the internal auditors from the day-to-day management
Section 5(2), no. 2 (E)	we concur with the contents of all the audit book comments prepared by the internal auditors for the accounting year
	<i>According to section 17(5) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 17(5) (I)	we have received all the information requested
	<i>According to section 26 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 26, no. 1 (E/I)	measurement by the mortgage-credit institution of loans, including adjustments to the value resulting as a consequence of the credit risk, has been carried out in accordance with the relevant regulations for this
Section 26, no. 2 (E/I)	the mortgage-credit institution does not grant mortgage-credit loans on the basis of anything other than issue of mortgage-credit bonds, covered mortgage-credit bonds, covered bonds and other securities, cf. section 1(1) of the Mortgage-Credit Loans and Mortgage-Credit

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	Bonds etc. Act
Section 26, no. 3 (E/I)	the mortgage-credit institution does not use funds obtained through issue of securities for any other purpose than loans
Section 26, no. 3 (E/I)	the mortgage-credit institution invests excess funds from block issues in accordance with section 20 of the Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act
Section 26, no. 4 (E/I)	the mortgage-credit institution keeps the funds in the serial reserve fund separate from the other funds of the institution, cf. section 26(1) of the Mortgage Credit Loans and Mortgage Credit Bonds etc. Act
Section 26, no. 5 (E/I)	the mortgage-credit institution is in a position to calculate the covered assets of individual depositors and investors
	<u>Wording of assurance reports.</u>
	<i>According to section 6 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must issue an assurance report that states:</i>
Section 6, no. 1 (E/I)	the undertaking's administrative practises and accounting practises within significant areas, including procedures and internal control procedures, are adequate in their planning and execution. In this connection we must also issue an assurance report that states
	- the overall system security, data security, and operational security in the undertaking is adequate,
	- the undertaking's holdings of securities, etc., are properly controlled,
	- bookkeeping is organised in a manner which facilitates reporting to the Danish FSA, and
	- we have not become aware of conditions which are in conflict with the requirements in legislation regarding financial undertakings and associations
Section 6, no. 2 (E)	the exposures authorised by the board of directors to, and collateralisation received from, members of the board of directors, members of the board of management, and undertakings in which such persons are members of the board of management or members of the board of directors are in accordance with the usual terms and conditions applied by the undertaking and on market-based terms, cf. section 78(2) of the Financial Business Act
Section 6, no. 3 (E)	the financial undertaking does not have exposures with enterprises owned or operated by members of the board of management or other senior employees or in which the board of

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	management or other senior employees in any other way, participate in the management or operation, cf. section 80(1), (2) and (8), 2nd clause of the Financial Business Act
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3. Insurance companies

<u>Provision in the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups</u>	<u>Wording of confirmations</u>
	<i>According to section 4(4) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must confirm that:</i>
Section 4(4) (E)	we have complied with the ban on providing assistance and consultancy when there are circumstances which may raise doubt as to our independence with a well informed third party, cf. section 11(2), no. 8, para. a of the "lov om statsautoriserede og registrerede revisorer" (Act no. 302 of 30 April 2003 state-authorized public accountants and registered public accountants), including that
	- we or other persons in the audit firm have not taken part in bookkeeping or similar registration of data that forms the basis for the annual report or other conditions on which an assurance report is to be issued,
	- we or other persons in the audit firm have not assisted in the preparation of the annual report or any other document relating to the assurance report
	<i>According to section 17(4) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must confirm that:</i>
Section 17(4) (I)	we have not been in a situation where we have issued assurance reports or provided information or evidence on conditions for which we or employees in the internal audit function have prepared the basis
	<u>Wording of the information</u>
	<i>According to section 5 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 5(1), no. 1 (E)	the financial undertaking's guidelines on control of compliance with the ban on speculation under section 77(4) of the Financial Business Act are adequate and have functioned appropriately

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Section 5(1), no. 2 (E)	control of compliance with the ban on speculation according to section 77(5) of the Financial Business Act has not given rise to any observations
Section 5(1), no. 3 (E/I)	procedures have been established with a view to complying with the provisions on intra-group exposures in section 182 of the Financial Business Act
Section 5(1), no. 4 (E/I)	no material errors or omissions have been ascertained during examination of transactions between the undertaking and undertakings covered by section 2 of the Executive Order on Intra-Group Transactions
Section 5(1), no. 4 (E/I)	a detailed description of material or extraordinary intra-group transactions has been provided on page... ⁵⁾
Section 5(2), no. 1 (E)	the tasks to be carried out by the internal auditors agreed upon in accordance with the audit agreement have been carried out, and that the internal auditors perform their duties in a satisfactory manner, including that the external auditors have not become aware of circumstances which, individually or together compromise the independence of the internal auditors from the day-to-day management
Section 5(2), no. 2 (E)	we concur with the contents of all the audit book comments prepared by the internal auditors for the accounting year
	<i>According to section 17(5) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 17(5) (I)	we have received all the information requested
	<i>According to section 28 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 28, no. 1 (E/I)	it is reasonable to believe that, taking into account what can reasonably be foreseen, the insurance provisions made are sufficient to cover the company's insurance liabilities on the balance sheet date, but are no larger than is necessary
Section 28, no. 2 (E)	the insurance company fulfils the statutory requirements regarding investments, including providing information on any comments according to the Executive Order on Registration of Assets of Insurance Companies etc. on page... ⁶⁾
	<u>Wording of assurance reports</u>
	<i>According to section 6 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must issue an assurance report that states:</i>

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Section 6, no. 1 (E/I)	the undertaking's administrative practises and accounting practises within significant areas, including procedures and internal control procedures, are adequate in their planning and execution. In this connection we must also state that
	- the overall system security, data security, and operational security in the undertaking is adequate,
	- the undertaking's holdings of securities, etc., are properly controlled,
	- bookkeeping is organised in a manner which facilitates reporting to the Danish FSA, and
	- we have not become aware of conditions which are in conflict with the requirements in legislation regarding financial undertakings and associations
Section 6, no. 2 (E)	the exposures authorised by the board of directors to, and collateralisation received from, members of the board of directors, members of the board of management, and undertakings in which such persons are members of the board of management or members of the board of directors are in accordance with the usual terms and conditions applied by the undertaking and on market-based terms, cf. section 78(2) of the Financial Business Act
Section 6, no. 3 (E)	the financial undertaking does not have exposures with enterprises owned or operated by members of the board of management or other senior employees or in which the board of management or other senior employees in any other way, participate in the management or operation, cf. section 80(1), (2) and (8), 2nd clause of the Financial Business Act
	<i>According to section 29 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 29 (E)	the statements of capital position and risks as at 31 December submitted to the Danish FSA have been calculated in accordance with the relevant guidelines, cf. Guidelines on Reporting Forms for Information on Capital Position and Risks in Life-Assurance Companies, Non-Life Insurance Companies, Reinsurance Companies, Lateral Pension Funds (Nationwide Occupational Pension Funds) and Industrial Injury Insurance Companies.

4. Investment companies

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<u>Provision in the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups</u>	<u>Wording of confirmations</u>
	<i>According to section 4(4) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must confirm that:</i>
Section 4(4) (E)	we have complied with the ban on providing assistance and consultancy when there are circumstances which may raise doubt as to our independence with a well informed third party, cf. section 11(2), no. 8, para. a of the "lov om statsautoriserede og registrerede revisorer" (Act no. 302 of 30 April 2003 state-authorized public accountants and registered public accountants), including that
	<ul style="list-style-type: none"> - we or other persons in the audit firm have not taken part in bookkeeping or similar registration of data that forms the basis for the annual report or other conditions on which an assurance report is to be issued, and - we or other persons in the audit firm have not assisted in the preparation of the annual report or any other document relating to the assurance report
	<i>According to section 17(4) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must confirm that:</i>
Section 17(4) (I)	we have not been in a situation where we have issued assurance reports or provided information or evidence on conditions for which we or employees in the internal audit function have prepared the basis
	<u>Wording of the information</u>
	<i>According to section 5 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 5(1), no. 1 (E)	the financial undertaking's guidelines on control of compliance with the ban on speculation under section 77(4) of the Financial Business Act are adequate and have functioned appropriately
Section 5(1), no. 2 (E)	control of compliance with the ban on speculation according to section 77(5) of the Financial Business Act has not given rise to any observations
Section 5(1), no. 3 (E/I)	procedures have been established with a view to complying with the provisions on intra-group exposures in section 182 of the Financial Business Act

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Section 5(1), no. 4 (E/I)	no material errors or omissions have been ascertained during examination of transactions between the undertaking and undertakings covered by section 2 of the Executive Order on Intra-Group Transactions
Section 5(1), no. 4 (E/I)	a detailed description of material or extraordinary intra-group transactions has been provided on page... ⁷⁾
Section 5(2), no. 1 (E)	the tasks to be carried out by the internal auditors agreed upon in accordance with the audit agreement have been carried out, and that the internal auditors perform their duties in a satisfactory manner, including that the external auditors have not become aware of circumstances which, individually or together compromise the independence of the internal auditors from the day-to-day management
Section 5(2), no. 2 (E)	we concur with the contents of all the audit book comments prepared by the internal auditors for the accounting year
	<i>According to section 17(5) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 17(5) (I)	we have received all the information requested
	<i>According to section 30(1) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 30(1), no. 1 (E/I)	the investment company keeps the customers' cash funds in accordance with the provisions on separation of the funds of individual customers in section 97(1) of the Financial Business Act and complies with the provisions of section 97(2) of the Financial Business Act
Section 30(1), no. 2 (E/I)	customers' securities holdings, etc. are kept separate from the company's own securities etc., cf. section 72(3) of the Financial Business Act
Section 30(1), no. 3 (E/I)	the investment company, if it has a license pursuant to section 9(8), 2nd clause of the Financial Business Act and performs services with derivatives, covers such derivatives with other securities dealers
Section 30(1), no. 4 (E/I)	the activities carried out by the investment company are in accordance with the company's license to carry out investment activities, cf. annex 4 of the Financial Business Act as well as that possessions of any ownership interests are in accordance with section 26(1) of the Financial Business Act
Section 30(1), no. 5 (E/I)	the investment company is in a position to calculate the covered assets of the individual depositors and investors

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	<u>Wording of assurance reports</u>
	<i>According to section 6 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must issue an assurance report that states:</i>
Section 6, no. 1 (E/I)	the undertaking's administrative practises and accounting practises within significant areas, including procedures and internal control procedures, are adequate in their planning and execution. In this connection we must also state that
	- the overall system security, data security, and operational security in the undertaking is adequate,
	- the undertaking's holdings of securities, etc., are properly controlled,
	- bookkeeping is organised in a manner which facilitates reporting to the Danish FSA, and
	- we have not become aware of conditions which are in conflict with the requirements in legislation regarding financial undertakings and associations
Section 6, no. 2 (E)	the exposures authorised by the board of directors to, and collateralisation received from, members of the board of directors, members of the board of management, and undertakings in which such persons are members of the board of management or members of the board of directors are in accordance with the usual terms and conditions applied by the undertaking and on market-based terms, cf. section 78(2) of the Financial Business Act
Section 6, no. 3 (E)	the financial undertaking does not have exposures with enterprises owned or operated by members of the board of management or other senior employees or in which the board of management or other senior employees in any other way, participate in the management or operation, cf. section 80(1), (2), and (8), 2nd clause of the Financial Business Act

5. Investment management companies which only have a license under section 10(2) of the Financial Business Act

<u>Provision in the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups</u>	<u>Wording of confirmations</u>

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	<i>According to section 4(4) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must confirm that:</i>
Section 4(4) (E)	we have complied with the ban on providing assistance and consultancy when there are circumstances which may raise doubt as to our independence with a well informed third party, cf. section 11(2), no. 8, para. a of the "lov om statsautoriserede og registrerede revisorer" (Act no. 302 of 30 April 2003 state-authorized public accountants and registered public accountants), including that
	- we or other persons in the audit firm have not taken part in bookkeeping or similar registration of data that forms the basis for the annual report or other conditions on which an assurance report is to be issued, and
	- we or other persons in the audit firm have not assisted in the preparation of the annual report or any other document relating to the assurance report
	<i>According to section 17(4) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must confirm that:</i>
Section 17(4) (I)	we have not been in a situation where we have issued assurance reports or provided information or evidence on conditions for which we or employees in the internal audit function have prepared the basis
	<u>Wording of the information</u>
	<i>According to section 5 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 5(1), no. 1 (E)	the financial undertaking's guidelines on control of compliance with the ban on speculation under section 77(4) of the Financial Business Act are adequate and have functioned appropriately
Section 5(1), no. 2 (E)	control of compliance with the ban on speculation according to section 77(5) of the Financial Business Act has not given rise to any observations
Section 5(1), no. 3 (E/I)	procedures have been established with a view to complying with the provisions on intra-group exposures in section 182 of the Financial Business Act
Section 5(1), no. 4 (E/I)	no material errors or omissions have been ascertained during examination of transactions between the undertaking and undertakings covered by section 2 of the Executive Order on Intra-Group Transactions
Section 5(1), no. 4 (E/I)	a detailed description of material or

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	extraordinary intra-group transactions has been provided on page... ⁸⁾
Section 5(2), no. 1 (E)	The tasks to be carried out by the internal auditors agreed upon in accordance with the audit agreement have been carried out, and that the internal auditors perform their duties in a satisfactory manner, including that the external auditors have not become aware of circumstances which, individually or together compromise the independence of the internal auditors from the day-to-day management
Section 5(2), no. 2 (E)	we concur with the contents of all the audit book comments prepared by the internal auditors for the accounting year
	<i>According to section 17(5) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 17(5) (I)	we have received all the information requested
	<u>Wording of assurance reports.</u>
	<i>According to section 6 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must issue an assurance report that states:</i>
Section 6, no. 1 (E/I)	the undertaking's administrative practises and accounting practises within significant areas, including procedures and internal control procedures, are adequate in their planning and execution. In this connection we must also state that
	- the overall system security, data security, and operational security in the undertaking is adequate,
	- the undertaking's holdings of securities, etc., are properly controlled,
	- bookkeeping is organised in a manner which facilitates reporting to the Danish FSA, and
	- we have not become aware of conditions which are in conflict with the requirements in legislation regarding financial undertakings and associations
Section 6, no. 2 (E)	the exposures authorised by the board of directors to, and collateralisation received from, members of the board of directors, members of the board of management, and undertakings in which such persons are members of the board of management or members of the board of directors are in accordance with the usual terms and conditions applied by the undertaking and on market-based terms, cf. section 78(2) of the Financial Business Act
Section 6, no. 3 (E)	the financial undertaking does not have exposures with enterprises owned or operated

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	by members of the board of management or other senior employees or in which the board of management or other senior employees in any other way, participate in the management or operation, cf. section 80(1), (2), and (8), 2nd clause of the Financial Business Act
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6. Investment management companies with a license under section 10(2),
cf. section 9(1) of the Financial Business Act

<u>Provision in the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups</u>	<u>Wording of confirmations</u>
	<i>According to section 4(4) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must confirm that:</i>
Section 4(4) (E)	we have complied with the ban on providing assistance and consultancy when there are circumstances which may raise doubt as to our independence with a well informed third party, cf. section 11(2), no. 8, para. a of the "lov om statsautoriserede og registrerede revisorer" (Act no. 302 of 30 April 2003 state-authorized public accountants and registered public accountants), including that
	- we or other persons in the audit firm have not taken part in bookkeeping or similar registration of data that forms the basis for the annual report or other conditions on which an assurance report is to be issued, and
	- we or other persons in the audit firm have not assisted in the preparation of the annual report or any other document relating to the assurance report
	<i>According to section 17(4) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must confirm that:</i>
Section 17(4) (I)	we have not been brought into a situation where we have issued assurance reports or provided information or evidence on conditions for which we or employees in the internal audit function have prepared the basis
	<u>Wording of the information</u>
	<i>According to section 5 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 5(1), no. 1 (E)	the financial undertaking's guidelines on control

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	of compliance with the ban on speculation under section 77(4) of the Financial Business Act are adequate and have functioned appropriately
Section 5(1), no. 2 (E)	control of compliance with the ban on speculation according to section 77(5) of the Financial Business Act has not given rise to any observations
Section 5(1), no. 3 (E/I)	procedures have been established with a view to complying with the provisions on intra-group exposures in section 182 of the Financial Business Act
Section 5(1), no. 4 (E/I)	no material errors or omissions have been ascertained during examination of transactions between the undertaking and undertakings covered by section 2 of the Executive Order on Intra-Group Transactions
Section 5(1), no. 4 (E/I)	a detailed description of material or extraordinary intra-group transactions has been provided on page... ²¹
Section 5(2), no. 1 (E)	the tasks to be carried out by the internal auditors agreed upon in accordance with the audit agreement have been carried out, and that the internal auditors perform their duties in a satisfactory manner, including that the external auditors have not become aware of circumstances which, individually or together compromise the independence of the internal auditors from the day-to-day management
Section 5(2), no. 2 (E)	we concur with the contents of all the audit book comments prepared by the internal auditors for the accounting year
	<i>According to section 17(5) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 17(5) (I)	we have received all the information requested
	<i>According to section 30(2) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 30(1), no. 1 (E/I)	the investment management company keeps the customers' cash funds in accordance with the provisions on separation of the funds of individual customers in section 97(1) of the Financial Business Act and complies with the provisions of section 97(2) of the Financial Business Act
Section 30(1), no. 2 (E/I)	customers' securities holdings, etc. are kept separate from the company's own securities etc., cf. section 72(3) of the Financial Business Act
Section 30(1), no. 3 (E/I)	the investment management company, if it has a license pursuant to section 9(8), 2nd clause of the Financial Business Act and performs services

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	with derivatives, covers such derivatives with other securities dealers
Section 30(1), no. 4 (E/I)	the activities carried out by the investment management company are in accordance with the company's license to carry out investment management activities
Section 30(1), no. 5 (E/I)	the investment management company is in a position to calculate the covered assets of the individual depositors and investors
	<u>Wording of assurance reports</u>
	<i>According to section 6 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must issue an assurance report that states:</i>
Section 6, no. 1 (E/I)	the undertaking's administrative practises and accounting practises within significant areas, including procedures and internal control procedures, are adequate in their planning and execution. In this connection we must also state that
	- the overall system security, data security, and operational security in the undertaking is adequate,
	- the undertaking's holdings of securities, etc., are properly controlled,
	- bookkeeping is organised in a manner which facilitates reporting to the Danish FSA, and
	- we have not become aware of conditions which are in conflict with the requirements in legislation regarding financial undertakings and associations
Section 6, no. 2 (E)	the exposures authorised by the board of directors to, and collateralisation received from, members of the board of directors, members of the board of management, and undertakings in which such persons are members of the board of management or members of the board of directors are in accordance with the usual terms and conditions applied by the undertaking and on market-based terms, cf. section 78(2) of the Financial Business Act
Section 6, no. 3 (E)	the financial undertaking does not have exposures with enterprises owned or operated by members of the board of management or other senior employees or in which the board of management or other senior employees in any other way, participate in the management or operation, cf. section 80(1), (2) and (8), 2nd clause of the Financial Business Act

7. Investment associations

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<u>Provision in the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups</u>	<u>Wording of confirmations</u>
	<i>According to section 4(4) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must confirm that:</i>
Section 4(4) (E)	we have complied with the ban on providing assistance and consultancy when there are circumstances which may raise doubt as to our independence with a well informed third party, cf. section 11(2), no. 8, para. a of the "lov om statsautoriserede og registrerede revisorer" (Act no. 302 of 30 April 2003 state-authorized public accountants and registered public accountants), including that
	- we or other persons in the audit firm have not taken part in bookkeeping or similar registration of data that forms the basis for the annual report or other conditions on which an assurance report is to be issued, and
	- we or other persons in the audit firm have not assisted in the preparation of the annual report or any other document relating to the assurance report
	<i>According to section 17(4) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must confirm that:</i>
Section 17(4) (I)	we have not been in a situation where we have issued assurance reports or provided information or evidence on conditions for which we or employees in the internal audit function have prepared the basis
	<u>Wording of the information</u>
	<i>According to section 5 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 5(1), no. 1 (E)	the association's guidelines on control of compliance with the ban on speculation under section 34(4) of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act are adequate and have functioned appropriately
Section 5(1), no. 2 (E)	control of compliance with the ban on speculation according to section 34(5) of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act has not given rise to any observations

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Section 5(2), no. 1 (E)	the tasks to be carried out by the internal auditors agreed upon in accordance with the audit agreement have been carried out, and that the internal auditors perform their duties in a satisfactory manner, including that the external auditors have not become aware of circumstances which, individually or together compromise the independence of the internal auditors from the day-to-day management
Section 5(2), no. 2 (E)	we concur with the contents of all the audit book comments prepared by the internal auditors for the accounting year
	<i>According to section 17(5) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 17(5) (I)	we have received all the information requested
	<i>According to section 31 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 31, no. 1 (E/I)	calculations of issue prices and redemption prices have been carried out in accordance with the Executive Order issued in pursuance of section 48(5) of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act
Section 31, no. 2 (E/I)	regulations on investment of funds, cf. parts 13-14 of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act, have been complied with
Section 31, no. 3 (E/I)	the association or a division has not been and is not below the statutory minimum requirements for the extent of assets, cf. section 4(7) of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act
	<u>Wording of assurance reports</u>
	<i>According to section 6 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must issue an assurance report that states:</i>
Section 6, no. 1 (E/I)	the association's administrative practises and accounting practises within significant areas, including procedures and internal control procedures, are adequate in their planning and execution. In this connection we must also state that
	- the overall system security, data security, and operational security in the association is adequate,
	- the association's holdings of securities, etc., are properly controlled,

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	- bookkeeping is organised in a manner which facilitates reporting to the Danish FSA, and
	- we have not become aware of conditions which are in conflict with the requirements in legislation regarding investment associations

8. *Special-purpose associations*

<u>Provision in the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups</u>	<u>Wording of confirmations</u>
	<i>According to section 4(4) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must confirm that:</i>
Section 4(4) (E)	we have complied with the ban on providing assistance and consultancy when there are circumstances which may raise doubt as to our independence with a well informed third party, cf. section 11(2), no. 8, para. a of the " <i>lov om statsautoriserede og registrerede revisorer</i> " (Act no. 302 of 30 April 2003 state-authorized public accountants and registered public accountants), including that
	- we or other persons in the audit firm have not taken part in bookkeeping or similar registration of data that forms the basis for the annual report or other conditions on which an assurance report is to be issued, and
	- we or other persons in the audit firm have not assisted in the preparation of the annual report or any other document relating to the assurance report
	<i>According to section 17(4) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must confirm that:</i>
Section 17(4) (I)	we have not been in a situation where we have issued assurance reports or provided information or evidence on conditions for which we or employees in the internal audit function have prepared the basis
	<u>Wording of the information</u>
	<i>According to section 5 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 5(1), no. 1 (E)	the association's guidelines on control of compliance with the ban on speculation under section 34(4) of the Investment Associations

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	and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act are adequate and have functioned appropriately
Section 5(1), no. 2 (E)	control of compliance with the ban on speculation according to section 34(5) of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act has not given rise to any observations
Section 5(2), no. 1 (E)	the tasks to be carried out by the internal auditors agreed upon in accordance with the audit agreement have been carried out, and that the internal auditors perform their duties in a satisfactory manner, including that the external auditors have not become aware of circumstances which, individually or together compromise the independence of the internal auditors from the day-to-day management
Section 5(2), no. 2 (E)	we concur with the contents of all the audit book comments prepared by the internal auditors for the accounting year
	<i>According to section 17(5) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 17(5) (I)	we have received all the information requested
	<i>According to section 31 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 31, no. 1 (E/I)	calculations of issue prices and redemption prices have been carried out in accordance with the Executive Order issued in pursuance of section 48(5) of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act
Section 31, no. 2 (E/I)	regulations on investment of funds, cf. part 15 of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act, have been complied with
Section 31, no. 3 (E/I)	the association or a division has not been and is not below the statutory minimum requirements for the extent of assets, cf. section 5(7) of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act
	<u>Wording of assurance reports.</u>
	<i>According to section 6 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must issue an assurance report that states:</i>
Section 6, no. 1 (E/I)	the association's administrative practises and accounting practises within significant areas,

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	including procedures and internal control procedures, are adequate in their planning and execution. In this connection we must also state that
	- the overall system security, data security, and operational security in the association is adequate,
	- the association's holdings of securities, etc., are properly controlled,
	- bookkeeping is organised in a manner which facilitates reporting to the Danish FSA, and
	- we have not become aware of conditions which are in conflict with the requirements in legislation regarding special-purpose associations

9. Restricted associations

<u>Provision in the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups</u>	<u>Wording of confirmations</u>
	<i>According to section 4(4) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must confirm that:</i>
Section 4(4) (E)	we have complied with the ban on providing assistance and consultancy when there are circumstances which may raise doubt as to our independence with a well informed third party, cf. section 11(2), no. 8, para. a of the "lov om statsautoriserede og registrerede revisorer" (Act no. 302 of 30 April 2003 state-authorized public accountants and registered public accountants), including that
	- we or other persons in the audit firm have not taken part in bookkeeping or similar registration of data that forms the basis for the annual report or other conditions on which an assurance report is to be issued, and
	- we or other persons in the audit firm have not assisted in the preparation of the annual report or any other document relating to the assurance report
	<i>According to section 17(4) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must confirm that:</i>
Section 17(4) (I)	we have not been in a situation where we have issued assurance reports or provided information

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	or evidence on conditions for which we or employees in the internal audit function have prepared the basis
	<u>Wording of the information</u>
	<i>According to section 5 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 5(1), no. 1 (E)	the association's guidelines on control of compliance with the ban on speculation under section 34(4) of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act are adequate and have functioned appropriately
Section 5(1), no. 2 (E)	control of compliance with the ban on speculation according to section 34(5) of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act has not given rise to any observations
Section 5(2), no. 1 (E)	the tasks to be carried out by the internal auditors agreed upon in accordance with the audit agreement have been carried out, and that the internal auditors perform their duties in a satisfactory manner, including that the external auditors have not become aware of circumstances which, individually or together compromise the independence of the internal auditors from the day-to-day management
Section 5(2), no. 2 (E)	we concur with the contents of all the audit book comments prepared by the internal auditors for the accounting year
	<i>According to section 17(5) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 17(5) (I)	we have received all the information requested
	<i>According to section 31 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 31, no. 1 (E/I)	calculations of issue prices and redemption prices have been carried out in accordance with the Executive Order issued in pursuance of section 48(5) and section 113 of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act
Section 31, no. 2 (E/I)	regulations on investment of funds, cf. parts 13-15 and section 113 of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act, have been complied with
Section 31, no. 3 (E/I)	the association or a division has not been and is not below the statutory minimum requirements

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	for the extent of assets, cf. section 111(6) of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act
	<u>Wording of assurance reports</u>
	<i>According to section 6 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must issue an assurance report that states:</i>
Section 6, no. 1 (E/I)	the association's administrative practises and accounting practises within significant areas, including procedures and internal control procedures, are adequate in their planning and execution. In this connection we must also state that
	- the overall system security, data security, and operational security in the association is adequate,
	- the association's holdings of securities, etc., are properly controlled,
	- bookkeeping is organised in a manner which facilitates reporting to the Danish FSA, and
	- we have not become aware of conditions which are in conflict with the requirements in legislation regarding restricted associations

10. Hedge associations

<u>Provision in the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups</u>	<u>Wording of confirmations</u>
	<i>According to section 4(4) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must confirm that:</i>
Section 4(4) (E)	we have complied with the ban on providing assistance and consultancy when there are circumstances which may raise doubt as to our independence with a well informed third party, cf. section 11(2), no. 8, para. a of the " <i>lov om statsautoriserede og registrerede revisorer</i> " (Act no. 302 of 30 April 2003 state-authorized public accountants and registered public accountants), including that
	- we or other persons in the audit firm have not taken part in bookkeeping or similar registration of data that forms the basis for the annual report or other conditions on which an assurance report is to be issued,

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	and
	- we or other persons in the audit firm have not assisted in the preparation of the annual report or any other document relating to the assurance report
	<i>According to section 17(4) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must confirm that:</i>
Section 17(4) (I)	we have not been in a situation where we have issued assurance reports or provided information or evidence on conditions for which we or employees in the internal audit function have prepared the basis
	<u>Wording of the information</u>
	<i>According to section 5 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 5(1), no. 1 (E)	the association's guidelines on control of compliance with the ban on speculation under section 34(4) of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act are adequate and have functioned appropriately
Section 5(1), no. 2 (E)	control of compliance with the ban on speculation according to section 34(5) of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act has not given rise to any observations
Section 5(2), no. 1 (E)	the tasks to be carried out by the internal auditors agreed upon in accordance with the audit agreement have been carried out, and that the internal auditors perform their duties in a satisfactory manner, including that the external auditors have not become aware of circumstances which, individually or together compromise the independence of the internal auditors from the day-to-day management
Section 5(2), no. 2 (E)	we concur with the contents of all the audit book comments prepared by the internal auditors for the accounting year
	<i>According to section 17(5) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 17(5) (I)	we have received all the information requested
	<i>According to section 32 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 32, no. 1 (E/I)	the calculations of the issue prices and redemption prices have been carried out in accordance with the Executive Order issued in pursuance of section 48(5), and section 114f of

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	the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act
Section 32, no. 2 (E/I)	the association or a division has not been or is not below the statutory minimum requirements for the extent of assets, cf. section 114a(6) of the Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc. Act
	<u>Wording of assurance reports</u>
	<i>According to section 6 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must issue an assurance report that states:</i>
Section 6, no. 1 (E/I)	the association's administrative practises and accounting practises within significant areas, including procedures and internal control procedures, are adequate in their planning and execution. In this connection we must also state that
	- the overall system security, data security, and operational security in the association is adequate,
	- the association's holdings of securities, etc., are properly controlled,
	- bookkeeping is organised in a manner which facilitates reporting to the Danish FSA, and
	- we have not become aware of conditions which are in conflict with the requirements in legislation regarding hedge associations

11. Securities dealers

	<i>According to section 35(2) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 35(2) (I)	There is a report on the internal audit matters relating to sections 4-5 of the <i>bekendtgørelse om de organisatoriske krav til og betingelserne for drift af virksomhed som værdipapirhandler</i> (executive order on the organisation requirements and conditions for operation of activities as a securities dealer). A statement of whether suitable measures have been taken in the event of any deficiencies has been provided on page... ¹⁰⁾
	<i>According to section 35(3) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 35(3) (E)	There is a report on the audit matters relating to sections 4-5 of the <i>bekendtgørelse om de organisatoriske krav til og betingelserne for drift</i>

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	<i>af virksomhed som værdipapirhandler</i> (executive order on the organisation requirements and conditions for operation of activities as a securities dealer). A statement of whether suitable measures have been taken in the event of any deficiencies has been provided on page... ¹¹⁾
	<i>According to section 36 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, we must state that:</i>
Section 36 (E/I)	The securities dealer complies with the provisions of section 72(1)-(3) of the Financial Business Act, including
	- that we have not become aware of any conditions which are in conflict with the requirements of the <i>bekendtgørelse om de organisatoriske krav til og betingelserne for drift af virksomhed som værdipapirhandler</i> (executive order on the organisation requirements and conditions for operation of activities as a securities dealer).

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Annex 2

Summary of observations in audit book comments relating to the annual report

1. The provision

The following is a more detailed account of the contents of the provision, including an interpretation of the most important expressions in the provision.

1.1 The wording of the provision

The requirement for a summary of all observations appears in section 4(2), 2nd and 3rd clauses, as well as section 17(3), 2nd and 3rd clauses of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups:

In a separate section of the audit book comments relating to the annual report, the auditors (the external auditors and the internal auditors respectively) shall provide a summary of all observations which following the audit must be made to the board of directors. The summary shall contain a status of the observations made on the accounting year in question, and a status of the observations appearing as pending in the audit book comments relating to the annual report for the previous year.

1.2 The requirement for a separate section

The requirement for a separate section is compulsory. That is, the separate section on observations must always be included, irrespective of whether or not there actually are any observations. This applies for the audit book comments by both the internal auditors and the external auditors.

If the external auditors agree with the contents of the audit book comments¹²⁾ by the internal auditors, it is adequate that any observations only appear in the internal auditors' audit book comments. In this case, the separate section of the external auditors' audit book comments should state that the observations appear in the internal auditors' audit book comments. However, certain conditions are of such a nature that they must be mentioned in the audit book comments of both the external auditors and the internal auditors, e.g. conditions involving qualifications and/or supplementary information in the audit report.

The separate section must be located in a place where it is easy to find and it must have a heading which makes it clear where the observations are summarised. If a contents page has been prepared for the audit book comments relating to the annual report, the location of the section should appear here.

1.3 Requirement for a summary

The philosophy behind the provision is to give an overview. A summary (in a couple of lines) of each of the observations is therefore better than a repetition of the entire description. However, the problem itself must be clear from the summary. Several observations regarding the same matter should be combined where this is appropriate. For example it may be relevant to combine several observations on the procedures for extending loans under a single heading.

The summary of observations should be at company level. For groups, observations from subsidiary undertakings which are relevant at group level must be also included, cf. section 5(3) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups.

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1.4 Requirement for all observations

All – without exception – of the observations appearing in the audit book must be summarised in the separate section of the audit book comments relating to the annual report.

Therefore, it is not possible to decide whether an observation is to be summarised on the basis of an assessment of its importance.

A matter which appears in the audit book as an observation once must from then on be included in the annual summary of observations in the audit book comments relating to the annual report. Therefore, an observation cannot be excluded if the audit book comments state that an observation has been resolved during the year. It must also be included in the very next annual summary. Only after the observation has appeared can it be excluded from future annual summaries.

1.5 Observations compared to comments

An **observation** is an indication from the auditor of a matter which is not in accordance with relevant regulations, orders, agreements ¹³⁾ or standards (including "good practice"), which apply for the relevant area. An observation could also cover a matter which the auditor, because of his professional experience, does not consider appropriate, even though the matter is not contrary to specific regulations, orders, agreements or standards.

A **comment** is supplementary information from an auditor regarding a given matter.

So, observations are not the same as comments. The function of an observation is to make the board of directors aware of matters which are not in accordance with regulations etc., or which are not appropriate. The function of a comment on the other hand is only to highlight a matter which has not given rise to observations.

Another difference between an observation and a comment is that an observation relates to a matter that is resolvable.

The following matters will typically give rise to observations relevant for the board of directors:

- non-compliance with solvency limits, exposure limits, credit limits, speculation provisions, placement limits, statutory minimum requirements for net assets /the capital requirement, etc.,
- non-compliance with the duties of the board of directors regarding the Public Companies Act, the Financial Business Act and the specific sector legislation, bookkeeping legislation, or the Financial Statements Act,
- non-compliance with requirements regarding notification to the Danish FSA,
- other violations of the law¹⁴⁾,
- orders from the Danish FSA, which have not yet been complied with,
- the assurance reports in the audit book comments required by the Danish FSA, on which the auditor has observations,
- matters which give rise to qualifications and/or supplementary information in the audit report,
- procedures where there is a need for improvements in internal controls (without this affecting information on whether the procedures are adequate), and
- non-compliance with the lines/guidelines set by the board of directors, and
- systems, internal control procedures or schemes which are not appropriate and/or effective, cf. section 35(1) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups.

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It should be stressed that the above list is not exhaustive, but merely a number of examples of relevant types of observation.

1.6 The requirement for a status report

The legislation requires completion of a **status report** on

- the observations made for the accounting year in question, and
- the observations appearing as pending in the audit book comments relating to the annual report for the previous year.

Observations appearing in the current accounting year include observations in the audit book comments during the course of the year as well as the audit book comments for the year. The important point is the extent to which the observation has appeared as part of the audit for the relevant accounting year.

The status report must contain a reference to the pages on which the observations have been mentioned in the relevant audit book comments for the year, as well as references to the audit book comments relating to the previous annual reports, if this is not the first time the observation is mentioned.

Observations can have two types of status - either **resolved** or **pending**.

Resolved observations

Observations can be resolved in one of two ways:

- the matter is no longer relevant, or
- the matter has been remedied.

Observations that lose their relevance may be, for example, observations regarding problems with calculations of value adjustments for securities in a securities system where the system is subsequently changed to a new system which can calculate value adjustments correctly. Another example is an observation regarding a specific violation of the anti-speculation regulations, which does not imply poor internal controls. Cases of fraud are also examples of observations to be mentioned once, after which they lose their relevance.

Examples of observations which have been remedied may be observations regarding lack of descriptions of business procedures, and these procedures are later prepared.

For each observation resolved, there must be a statement of how the matter was resolved.

Pending observations

Observations, which are not remedied, are by their nature pending. There should be a statement for each pending observation of when the management expects the matter to be remedied. If the matter is partly remedied, this should also be stated. The status should also state any changes in the expected date of remedy.

As the audit is carried out taking into consideration the internal control environment at the undertaking, it is relevant that the auditor tests the extent to which previous observations have been remedied. The audit should be carried out on the basis of an assessment of materiality and risk, and therefore it should include application of a rotation principle, so that there is a longer period between audit of areas of less materiality and risk than areas of greater materiality or risk. However, the auditor will consider the previous observations no later than when the audit next includes the areas covered by the observation.

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Information on how the individual observations have been remedied or are expected to be remedied is thus not part of the audit, and such information can therefore be based on information received from the management (the organisation).

If the auditors' professional doubts mean that the auditor is uncertain regarding the information, the auditor should then test the validity of the information.

If, during the audit, the auditor becomes aware that the information provided by the management (the organisation) regarding remedying observations is misleading or incorrect, the auditor must bring this to the attention of the board of directors in the audit book.

If the auditor otherwise becomes aware of matters which should be remedied, but have yet to be so, the auditor should examine the relevant area in the following year. If the observations relate to material matters for the presentation of the accounts, the auditor should reassess the audit plan and if necessary carry out additional audit work in the current year.

2. Examples

The following describes two examples which illustrate how the auditor can summarise observations so that they meet the requirements in the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups. The first model can be used in cases where the external auditors refer to observations by the internal auditors. The second model shows how the separate section on observations can be set up.

Example 1

X. Summary of observations

»In accordance with the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, in a separate section of the audit book comments relating to the annual report and the consolidated financial statements, the auditor must summarise all observations which the audit has given cause to present to the board of directors. The summary must contain a status of the observations made on the accounting year in question, and a status of the observations appearing as pending in the audit book comments relating to the annual financial statements for the previous accounting year.

It has been agreed with the internal auditor that the summary in accordance with the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups is only to appear in the audit book comments by the internal auditors, and we refer the reader to these.

We have no further comments on this matter.«

Example 2

X. Summary of observations

»In accordance with Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, in a separate section of the audit book comments relating to the annual report and the consolidated financial statements, the auditor must summarise all observations which the audit has given cause to present to the board of directors. The summary must contain a status of the observations made on the accounting year in question, and a status of the observations appearing as pending in the audit book comments relating to the annual financial statements for the previous accounting year.

Observations which are remedied in the 200x accounting year are marked with A, and observations which are pending are marked with Å. The page references refer to the pages in the audit book where the observations are mentioned. In cases where this is not the first time

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that the observation is mentioned, the reference will also include a reference to the audit book comments relating to the previous annual reports in addition to the audit book comments relating to the current accounting year.

Unless otherwise stated, we have not tested information on the extent to which observations have been remedied or are in the process of being remedied.

Anti-speculation regulations (A - page xxx)

The ban on has been contravened in two cases. According to the.....

Loans (Å - page xxx, page xxx)

There is a general need to update the description of business procedures so that they correspond to the current – and adequate – procedures. According to information received, the business procedures will be updated during xxxxx – at the same time as implementation of the new xxx system.

Securities (Å – page xxx, A – page xxx and Å – page xxx)

We have ascertained that there have been problems with securities in connection with reconciling the foreign securities. Initiatives have been taken to enhance the internal controls in connection with reconciling foreign securities, and according to information received, work on this will be completed during autumn 200x.

We have ascertained that the instructions from the board of directors now contain a description of which products the front office may trade in, as well as requirements on management of market risks.

There is no up-to-date register of shareholders in accordance with section 25 of the Public Companies Act. We have been told that an updated register of shareholders will be submitted to the meeting of the board of directors on x March 200x.

IT (Å – page xxx)

There is a need for a contingency plan for the servers controlling the Internet bank. The management has prepared an action plan to improve the emergency procedures, and this is expected to be implemented in Q1 200x.

Intra-group transactions (A – page xxx, A – page xxx and Å – page xxx)

The companies taken over in 200x were not covered by the guidelines for intra-group transactions, but we have now ensured that these companies are covered by the guidelines approved by the board of directors.

The agreement with xxxxx was established without the formal approval of the board of management. We have ascertained that the agreement has now been approved by the board of management.

Settlement of commission is on the basis of an agreement with yyyy, and this agreement is not up to date. We have subsequently ascertained that the agreements regarding commission are now being updated, and this process is expected to be completed in Q2 200x.«

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ANNEX 3

The tasks and behaviour of the internal audit function

The Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups stipulates a framework within which the internal audit function must carry out its tasks. The purpose of this is to ensure the independence of the internal audit function from the activities being audited.

Section 1 below summarises the matters which the internal audit function should be aware of before accepting a task. After this, section 2 provides a number of examples of tasks which the internal audit function may or may not carry out.

1. Provisions of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups

1.1 Only audit

According to section 12(2) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups,

- the chief internal auditor and the staff within the internal audit function shall not take part in any other work within the undertaking or group than audit work.

1.2 Independence

According to section 12(3) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups

- the internal audit function may not accept duties when circumstances exist which may raise doubts in a well informed third party about the independence of the internal audit function.

Section 14(3) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups states that

- the audit tasks may not bring the chief internal auditor into a situation where he issues an assurance report or provides information or evidence on conditions or documents for which the chief internal auditor or employees in the internal audit function have prepared the basis.

The provisions are to ensure the independence of the internal audit function. The chief internal auditor carries out reporting tasks pursuant to the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups and reports on the annual report, if this is resolved by the board of directors. Therefore the internal audit function must always safeguard its independence, just as the external auditor must safeguard his independence. However, the internal audit function has a slightly different basis for its independence because of its special role in the financial undertaking.

In order to safeguard its independence, the internal audit function should always be aware that the chief internal auditor and the employees of the internal audit function:

- have a duty to identify and assess circumstances and relations which create a threat to independence and document that this has been done,
- take the steps necessary to eliminate these threats or reduce them to an acceptable level by applying security measures to the extent possible, given that the basis is that they are employed by the undertaking, and
- may not carry out audit tasks when circumstances exist which may raise doubts in a well informed third party about the independence of the internal audit function.

1.3 Adequate qualifications

Furthermore, the internal audit function, cf. section 14(2)

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- may only accept tasks which they are adequately qualified to carry out.

The list below details which tasks may be carried out by the chief internal auditor and employees of the internal audit function pursuant to the provisions.

2. Examples of tasks for the internal audit function

2.1 Financial audit and review

Financial audit and review covers audit of historical financial information, including annual reports, interim reports etc. The work covers a review and assessment of the procedures as well as the manual and system-based controls linked to production of the historical financial information.

The tasks of the internal audit function include, depending on the level of qualifications and whether or not it has been resolved that the internal audit function is to report on the annual report, for example

- audit and issue of an auditors' report on annual reports,
- review of interim reports,
- issue of assurance reports, information and explanations pursuant to the Financial Business Act and the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups,
- issue of assurances to public authorities,
- assistance to the external auditor in connection with issues of subordinated debt and offerings of shares,
- assessment of whether procedures and internal controls comply with section 71 of the Financial Business Act and the associated guidelines and internal guidelines, and
- assistance with due-diligence for sales and purchases of undertakings.

In most cases the primary task of the internal audit function will be to take part in the financial audit. However, it is becoming increasingly common for the internal audit function to focus on operational audit, cf. the description below, i.e. that the involvement of the internal audit function in the financial audit of the annual report is being reduced or companies are opting out of this involvement.

If the chief internal auditor reports on the annual report, the chief internal auditor shall take part in the audit of the material and high-risk areas, cf. section 15(2) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups. Assessment of which areas are material and high-risk is according to the guidelines in the International Auditing Standard 315 and will depend on the type and complexity of the individual undertaking.

For credit institutions, for example, loans, charges, trading portfolio, property, unlisted shares and derivative financial instruments as well as liabilities such as pension obligations and guarantees will, as a point of departure, be material and high-risk, partly because of the complex regulations, use of models, compliance with placement regulations and solvency calculations.

For insurance companies, premium income, costs of claims/insurance services as well as investment returns are considered material and high-risk. The associated investment assets and provisions for insurance and investment contracts as well as reinsurance and derivative financial instruments are likely to be material and high-risk areas.

The contents of the annual report, including the management's review, financial statements, consolidated financial statements, 5-year summary and notes as well as accounting policies are always considered material and high-risk areas.

The above examples for the individual types of undertaking are only intended as inspiration, as in all cases a specific and documented individual assessment shall be taken of the material and high-risk areas associated with the activities of the individual undertaking.

As part of the audit, the internal audit function may not accept duties when circumstances exist which may raise doubts in a well informed third party about the independence of the internal audit function. When carrying out the financial audit, the internal audit may not, for example:

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- take part in decision making or take responsibility for this,
- carry out control tasks, be part of the internal control,
- prepare the annual report or other statements of historical financial information
- perform bookkeeping or other registrations
- take part in recruitment of employees for the undertaking, except employees for the internal audit function,
- administer salaries, property, building extensions or similar, or
- order payments or have powers of procuration for the financial undertaking in other areas than those regarding costs relating to the internal audit function.

This shall apply notwithstanding whether the chief internal auditor reports on the annual report.

The tasks mentioned are not audit, cf. section 12(2) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups, just as the internal audit function will be in conflict with the ban on self-review by carrying out the tasks mentioned, cf. section 14(3) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups. Before the internal audit function accepts duties which are not mentioned in the audit charter, or on which a large number of hours must be spent, the internal audit function shall obtain authorisation from the board of directors or an audit committee.

2.2 Operational audit

Operational audit involves assessment of the undertaking's processes with a view to testing and reporting on whether they are in accordance with the goals set by the management. Depending on the activity and size of the undertaking, an operational audit includes a process review focussing on efficiency, an appraisal of the reliability of the financial and operating reporting, compliance with legislation and regulations as well as security of the assets of the undertaking. Investigations of fraud may be included.

For example, the internal audit may not

- take part in decision making or take responsibility for this,
- carry out control tasks, be part of the internal control,
- be responsible for implementation of changed operating routines, including efficiency measures and rationalisation,
- be responsible for preparation of day-to-day monitoring and reporting of performance,
- take part in setting operational targets,
- determine or be responsible for implementing sanctions in the event of discoveries of fraud, or
- set or be responsible for preparation of operating strategies and processes.

The scope of the operational audit shall be agreed with the board of directors in the audit charter, although such that the agreed duties are kept within the framework of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups.

2.3 Audit of risk management

Financial undertakings are exposed to various types of risk. The most important types of risk are credit risk, market risk, liquidity risk, operational risk and business risk. The audit includes the established risk management within the individual types of risk, including the limits set and the reporting structure established.

The internal audit function shall assess whether the policies established are within the framework of the Financial Business Act with the associated executive orders and guidelines. The internal audit function may not accept monitoring duties such that the internal audit function becomes part of the internal control.

For example, development of risk-management strategies for approval by the board of directors as well as setting the risk level are typical management tasks which therefore cannot be carried out by the internal audit function.

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The internal audit function cannot accept development and control duties in relation to the individual types of risk, as the internal audit function could find itself in a situation where it is to give an assurance on tasks in which it has participated itself.

As a point of departure, there is nothing to prevent the internal audit function from acting as the independent unit in relation to point 75 in the guidelines on adequate base capital and individual solvency requirements, if the internal audit function is independent and it is not in conflict with other legislation and regulations.

2.4 Audit of the compliance function

The compliance function is responsible for assisting management in efficiently managing the compliance risks of the undertaking. If an independent compliance function has not been established, the day-to-day management is responsible for managing any compliance risks and appointing another unit to be responsible for carrying out the necessary control.

On the basis of materiality and risk, the internal audit function shall review and assess whether the processes established in the undertaking for managing the activities of the compliance function are adequate. The internal audit function may not manage the compliance function, or parts of this, as this is not compatible with the audit task (self-review).

2.5 Audit tasks which are not directly related to the annual report

Tasks which are not part of the audit work leading up to a report on the annual report, but which are considered as an audit task shall appear explicitly in the function description.

This does not apply, however, for audit work regarding issuance of assurances and information pursuant to the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups which do not relate to the report on the annual report.

3. Behaviour

Chief internal auditors, deputy chief internal auditors and employees of the internal audit function shall observe the ethical principles below in such a way that neither the individual auditor nor the department is affected detrimentally.

Integrity

The auditor shall be fair and honest in all professional and business contexts.

Objectivity

The auditor may not be prejudiced, have conflicts of interest, or be under improper influence of others that oppresses his professional and business judgement.

Professional competence and due care

The auditor shall regularly maintain his technical knowledge and skills at a level which is necessary to ensure that qualified, professional services are provided based on updated knowledge of the latest developments within good practice, legislation and methods. When supplying professional services, the auditor shall act diligently and in accordance with relevant technical and professional standards.

Confidentiality

The auditor shall respect the confidentiality of the information obtained in the course of the employment and may not divulge such information to third parties without adequate and specific authorisation unless there is a legal or professional right or duty to do so. Confidential information obtained as part of the employment may not be used for the personal benefit of the auditor or third parties.

Professional behaviour

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The auditor shall comply with the relevant legislation and other regulations and avoid any form of behaviour which may discredit the internal audit function or the external auditor.

Further information can be obtained from the IFAC's "Code of Ethics for Professional Accountants" which is available from the IFAC website (www.ifac.org) or the IIA's ethical regulations which are on the IIA website (www.theiia.org). The ethical regulations are also issued by FSR, the Institute of State Authorized Public Accountants in Denmark, as a version adapted to Danish conditions.

¹⁾ Refer to the relevant page in the audit book.

²⁾ Refer to section 24(3)-(5) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups for further requirements in connection with this assurance report.

³⁾ Refer to section 24(3) of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups for further requirements in connection with this assurance report.

⁴⁾ Refer to the relevant page in the audit book.

⁵⁾ Refer to the relevant page in the audit book.

⁶⁾ Refer to the relevant page in the audit book.

⁷⁾ Refer to the relevant page in the audit book.

⁸⁾ Refer to the relevant page in the audit book.

⁹⁾ Refer to the relevant page in the audit book.

¹⁰⁾ Refer to the relevant page in the audit book.

¹¹⁾ Refer to the relevant page in the audit book.

¹²⁾ It is required that, in their audit book comments relating to the annual report, the external auditors must disclose the extent to which the external auditors agree with the content of the internal auditors' audit book, cf. section 5(2), no. 2 of the Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups.

¹³⁾ Including particular requirements from, e.g. the board of directors or the shareholders.

¹⁴⁾ As the objective of the work of the auditors is to issue an auditors' report on an annual report, the auditor will only rarely discover violations of other legislation than company laws, tax laws and sector-specific laws. However, in the audit book comments an auditor must disclose violations of any law whatsoever, to the extent that the auditor becomes aware of such violations.