

Corporate governance and remuneration report

Proper and decent management

Proper and decent management is a precondition for SP Group being able to create long-term value for its shareholders, customers, employees and other stakeholders. Management sets up clear strategic and financial goals and regularly provides information on goal achievement for all stakeholders to be able to evaluate the development and future of the Group. It is essential to Management that SP Group meets its stakeholders at eye level and that the shareholders can exercise their rights freely.

The Board of Directors and the Executive Board strive to act openly in relation to their work and their approach to management. Management follows the recommendations for corporate governance issued by the Committee on Corporate Governance in November 2017 based on the "comply or explain" principle. At <http://www.sp-group.dk/investor+relations/corporate+governance>, the Board of Directors systematically describes "the Company's position on the recommendations on corporate governance of March 2020" in the Corporate governance section. SP Group complies with the majority of the recommendations but has chosen a different practice in some areas that is more suitable for SP Group. The main deviation involves the following:

In a few areas, SP Group has not formalised procedures and policies to the same extent as suggested by the Committee on Corporate Governance. For instance, SP Group has neither introduced an actual stakeholder policy (but a clear attitude to and policies for communication) nor prepared any separate task description for the Chairman (instead, this is part of the rules of procedure for the Board of Directors).

The Board of Directors has considered appointing committees under the auspices of the Board of Directors, but found that, due to the size of the Group, SP Group does not need such committees, with the exception of an Audit Committee whose members are the collective Board of Directors, chaired by Hans-Henrik Eriksen.

Duties of the Board of Directors

In 2019, the Board of Directors held 10 meetings, two of which focused on strategy and budgets, respectively. At the strategy meeting in December, the Board of Directors also discussed business risks and the management of such risks at group level. Once a year, the Board of Directors determines the framework for managing interest rate, credit and currency risks and risks related to raw materials and energy prices, and the Board of Directors follows up on the implementation of this framework on an ongoing basis. Discussion and revision of the rules of procedure are routine at the board meeting in June. All board members attend to the functions of the Audit Committee. Separate meetings in the Audit Committee are held in connection with board meetings.

The Board of Directors regularly assesses the Group's financial position, goals, dividend policy and share structure. The dividend policy is specified in the "Shareholder information" section, and the financial goals are specified in the "Going towards 2022" section. The Board of Directors assesses that the financial structure is appropriate for the present size and challenges of SP Group, and the Board of Directors targets an equity ratio of 25-45% to ensure an efficient capital structure. It is expected that the equity ratio will be between 25-45% by the end of 2020. If the equity ratio increases, any excess capital is expected to be paid out to the shareholders.

The Board of Directors receives a weekly report from the Executive Board that details a number of recurring areas, including cash flows and developments in the business areas. In addition, the Board of Directors receives quarterly and monthly reports, including detailed financial follow-up.

Composition of the Board of Directors

The board members elected by the shareholders are up for election each year. 4-5 members is an appropriate number, as the Board of Directors can thus work efficiently and gather quickly while at the same time being diverse enough to represent different experiences.

The Board of Directors consists of persons with relevant insight into the plastics industry and management experience from internationally operating production entities. Hans W. Schur is connected to a major shareholder in the Company but cannot be considered a majority shareholder. Thus, no member of the Board of Directors has any other interest in SP Group than safeguarding the shareholders' interests, and SP Group finds that the current board members possess the qualifications and experience necessary to manage the Group and act as an efficient sounding board vis-à-vis the Executive Board. Of the board members elected by the company in general meeting, Hans-Henrik Eriksen and Bente Overgaard are found to be independent in accordance with the criteria defined by the Committee on Corporate Governance. The other three board members have been members of the Board of Directors for more than 12 years.

All five board members accept re-nomination at the annual general meeting in 2020. Before he turned 75 and after 23 years as chairman, Niels Kristian Agner chose to pass on the chairman position at the annual general meeting in 2018. After the annual general meeting, the Board of Directors decided to elect Hans W. Schur as chairman and Erik P. Holm as vice chairman.

Hans-Henrik Eriksen continued as chairman of the Audit Committee.

New collaborative robot (Cobot) at MedioPack.



Provided that the Board of Directors is re-elected at the annual general meeting in 2020, its composition and structure will remain unchanged.

At the annual general meeting in 2017, Erik Christensen retired after 15 years' committed and competent effort as board member.

At the annual general meeting in 2017, Bente Overgaard was elected for the position as new independent member of the Board of Directors.

At the annual general meeting in 2009, the two employee representatives on the Board of Directors resigned as their term of office expired. No new representatives have been elected in accordance with the rules of election of group representatives for SP Group's Board of Directors. In the coming year, the Board of Directors will therefore only consist of the members elected by the shareholders.

Remuneration of Management

The Company's remuneration policy has been approved by the annual general meeting, most recently in 2019. A new remuneration policy will be presented for discussion at the annual general meeting in 2020.

The Board of Directors has no incentive programmes but receives ordinary remuneration determined by the annual general meeting. At the general meeting in 2019, the Board of Directors will propose that directors' remuneration for 2019 should be maintained at DKK 450,000 for the chairman, DKK 275,000 for the deputy chairman and DKK 225,000 for other board members. Directors' remuneration was most recently adjusted with effect for 2017 and approved at the annual general meeting in 2018. Moreover, it is proposed that the chairman of the Audit Committee should receive a separate fee of DKK 50,000 in addition to the directors' fee. The members of the Board of Directors will not receive any remuneration for ad hoc tasks, but will be reimbursed for travelling expenses in connection with meetings, etc.

For 2020, it is proposed that remuneration should remain unchanged compared to 2019.

Remuneration of the Executive Board is negotiated by the chairman and adopted by the Board of Directors. Remuneration comprises a basic rate and usual services such as company-paid telephone, company car, etc. Remuneration of the Executive Board totalled DKK 7.3 million in 2019 against DKK 7.1 million the year before. The Executive Board makes

Management remuneration

DKK '000	Remuneration	Membership of committees	Bonus	Company car	Pension *)	Share-based payment **)	Total
2019							
Hans Wilhelm Schur	450	0	0	0	0	0	450
Erik Preben Holm	275	0	0	0	0	0	275
Niels Kristian Agner	225	0	0	0	0	0	225
Hans-Henrik Eriksen	225	50	0	0	0	0	275
Bente Overgaard	225	0	0	0	0	0	225
Frank Gad	4,200	0	1,000	126	0	0	5,326
Jørgen Hønnerup Nielsen	1,700	0	200	77	0	0	1,977
	7,300	50	1,200	203	0	0	8,753
2018							
Hans Wilhelm Schur	375	0	0	0	0	0	375
Erik Preben Holm	275	0	0	0	0	0	275
Niels Kristian Agner	300	0	0	0	0	0	300
Hans-Henrik Eriksen	225	50	0	0	0	0	275
Bente Overgaard	225	0	0	0	0	0	225
Frank Gad	4,000	0	1,000	119	0	0	5,119
Jørgen Hønnerup Nielsen	1,650	0	200	102	0	0	1,952
	7,050	50	1,200	221	0	0	8,521
2017							
Niels Kristian Agner	450	0	0	0	0	0	450
Erik Preben Holm	275	0	0	0	0	0	275
Hans Wilhelm Schur	225	0	0	0	0	0	225
Hans-Henrik Eriksen	225	50	0	0	0	0	275
Erik Christensen	75	0	0	0	0	0	75
Bente Overgaard	150	0	0	0	0	0	150
Frank Gad	3,780	0	1,000	141	0	0	4,921
Jørgen Hønnerup Nielsen	1,590	0	200	117	0	0	1,907
	6,770	50	1,200	258	0	0	8,278

*) Members of the Executive Board make pension contributions themselves

**) Members of the Executive Board chose to acquire their warrants against cash payment

Directorships in Danish and foreign companies, etc., at 1 March 2020



Hans Wilhelm Schur,

CEO, Horsens, born 1951. Member of the Board of Directors since 1999 and chairman since April 2018.

No. of shares: 0 personally owned and 1,992,346 (+19,772)

Other directorships: Danmarks Industrimuseum (BF), Konsul Axel Schur og Hustrus Fond (BM), Konsul Axel Schur og Hustrus Mindefond (BF), Schurs Støttefond (BF), Schurs Fond (BM), Schur Finance a/s (BM), AXRU Invest

a/s (BF), Schur International Holding a/s (D), Schur International a/s (BM), Schur Pack Denmark a/s (BF), Schur Pack Sweden AB (BF), Schur Pack Germany GmbH (BF), Schur Technology a/s (BF), Schur Packaging Systems AB (BF), Schur Star Systems GmbH (BF), Schur Star Systems Inc. (BF), Schur Star Systems Australia Pty. Ltd. (BM), Dit Pulterkammer A/S (BM), Emballagegruppen A/S (BF), Dan Labels a/s (BF).

Attendance rate: 90. Male, Danish citizen.

Comprehensive management and board experience in international businesses within the plastics and packaging industries. Not independent.



Erik Preben Holm,

CEO, Hellerup, born 1960.

Member of the Board of Directors since 1997, Deputy Chairman.

No. of shares: 64,160 personally owned (0).

Other directorships: Sovino Brands Holding ApS (BF), Sovino Brands ApS (BF), Sovino Administration ApS (BF), Café Victor A/S (BF), Lucifer ApS (BF), Trattoria F A/S (BF), Restaurant Geist A/S (BF), Ravage A/S (BF), Vinomio ApS

(BF), Ps Restaurant Holding ApS (BF), Boathouse Cph. ApS (BF), Salon ApS (BF), Sk 12 ApS (bf), Kulturperlen Kgn ApS (BF), Kanalen ApS (BF), Sovino Management ApS (BF), Sticks 'N' Sushi Holding A/S (BF), Sticks 'N' Sushi A/S (BF), Sticks 'N' Sushi UK Ltd., Storbritannien (BF), Sticks 'N' Sushi Germany GmbH (BF), Arvid Nilssons Fond (NF), AO Invest A/S (BM), Maj Invest Equity A/S (BM), Fonden Maj Invest Equity General Partner (BM), Brødrene A & O Johansen A/S (BM), Wendelbo Møbel Design A/S (BM), Wendelbo Interiors A/S (BM), MIE5 Datterholding 8 ApS (BM), Maj Invest South America S.A. (BM), Maj Invest Singapore Private Ltd. (BM), Maj Invest Holding A/S (D), Fondsmæglerselskabet Maj Invest A/S (D), Maj Invest Equity (Adm.D), Erik Holm Holding ApS (D), MIE5 Holding 4 ApS (D), LD Equity 1 K/S (MI), LD Equity 3 K/S (MI), Maj Invest Equity 4 K/S (MI), Maj Invest Equity 5 K/S (MI), Maj Invest Equity Vietnam I K/S (MI), Maj Invest Equity Southeast Asia II K/S (MI).

Attendance rate: 100. Male, Danish citizen.

Comprehensive management and board experience in international businesses within various industries and from listed Danish companies.

Comprehensive experience with acquisition and disposal of entities. Not independent.



Niels Kristian Agner,

Director, Værløse, born 1943.

Member of the Board of Directors since 1995 and chairman in the period 1995-2018.

No. of shares: 115,000 personally owned (0), 0 through own company (0) and related 250 (0).

Other directorships: Pigro Management ApS (D), G.E.C. Gads Forlag Aktieselskab af 1994 (BM) and G.E.C. Gads Fond (commissioned).

Attendance rate: 100. Male, Danish citizen.

Comprehensive management and board experience from various industries and listed Danish companies.

Comprehensive experience with acquisition and disposal of entities.

Not independent.



Hans-Henrik Eriksen,

MSc, CEO, Risskov, born 1960.

Member of the Board of Directors since 2013.

Chairman of the Audit Committee.

No. of shares: 17,500 personally owned (0) and 2,500 through his own company (0).

Other directorships: Digi Kiosk ApS (BF), Vissing Fonden (BF), Ovendevande Skanderborg ApS (BF), Advice House A/S (NF), Vikan A/S (NF), Exact Brazil A/S (BM), EB

Præference A/S (BM), Green Tech Center A/S (BM), Green Tech Houses ApS (BM), Green Tech Group A/S (BM), Food Innovation House ApS (BF), Food Innovation Group ApS (BF), Food Innovation Center ApS (BF), Bagger-Sørensen Fonden (D) (BM), Limb Holding ApS (BF), Limb Finance A/S (BF), Limb Holding Ltd. (BM), Michael Limb Holdings Ltd. (BM), High Firs Investment Company Ltd. (BM), Random Wood Investment Company Ltd. (BM), Jutland Equity Investment Company Ltd. (BM), Jamabi ApS (BF), Jamabi PE ApS (BF), Navest A/S (BF), Ejendomsanpartsselskabet MT 04 (BF), Bricks A/S (BM), Bricks Ejendomme A/S (BM), Ejendomselskabet SF44 A/S (NF), Nicolinehus A/S (BM), Arcedi Biotech ApS (BM), AI Innovation Center A/S (BM), Bagger-Sørensen & Co. A/S (D), Bagger-Sørensen Invest A/S (D), Vecata Ejendomme A/S (D), Vecata Invest A/S (D), Liplasome Pharma ApS (BM and D), 4 Best Invest ApS (D), Tina Holding ApS (D), J-Flight ApS (D), Idekra ApS (D), SoLoCa IVS (D), Gumlink A/S (D), Okono A/S (D), Okono Holding ApS (D), Chew Invest ApS (D), Vissing Holding A/S (BF), CCC3 Holding (D), Vejle Centrum ApS (D) (BM), Flex Funding A/S (BM), BS HQ ApS (D).

Attendance rate: 100. Male, Danish citizen.

Broad experience in finance and accounting practice as well as auditing and investments and state authorised public accountant.

Chairman of the Audit Committee. Independent.



Bente Overgaard,

M.Sc. (Political science) Hellerup, born 1964.

Member of the Board of Directors since 2017.

No. of shares: 6,008 personally owned (+1,192) 1,461 through own company (0) and related parties 113 (113)

Other directorships: AES (BF), Den Danske Naturfond (NF), Prodata Consult (BM), Finansiell Stabilitet (BM), Johannes Fogs Fond (BM), HFI Invest (BM), Haslev Møbler (BM), Programme director Finance, CBS Executive, Board Leadership Education.

Attendance rate: 100. Female, Danish citizen.

Managerial background and comprehensive experience from the finance sector in connection with financial, HR and IT matters.

Independent.

BF = Chairman of the Board

D = Director

NF = Deputy Chairman

BM = Board member

MI = Member of investment committee

pensions contributions themselves. The Company must give at least 24 months' notice of dismissal to CEO Frank Gad and at least 12 months' notice to CFO Jørgen Hønnerup Nielsen. If the members of the Executive Board are dismissed, the Company is not obligated to pay special severance pay.

Members of the Executive Board are not eligible for any short-term incentive schemes such as bonus schemes, but the Board of Directors has decided to distribute discretionary bonuses in 2017, 2018 and 2019. However, SP Group has set up long-term incentive schemes.

In 2016, the Board of Directors issued 59,000 warrants to the Executive Board and executive officers in the Group. Frank Gad received 6,000 warrants, and Jørgen Nielsen received 4,000 warrants. The remaining 49,000 warrants were distributed between 29 executives. The warrants issued may be exercised to purchase shares in the Company in the period from 1 April 2019 to 31 March 2022. However, exercise can only take place during the first two weeks in those periods where Management i allowed to trade the Company's shares in accordance with the Company's internal rules. The exercise price is fixed at DKK 390 based on the listed price

Executive Board



Frank Gad, CEO

Born in 1960, MSc in Economics and Business Administration, Frederiksberg.

Frank Gad took up the position as CEO in November 2004 and is also chairman of the board for the most significant subsidiaries in SP Group. Previous employment: CEO of FLSmidth A/S (1999-2004), CEO of Mærsk Container Industri A/S (1996-1999) and employment at Odense Staalskibsværft A/S (1985-1999), Executive Vice

President at the time of resignation.

External directorships: Director of Frank Gad ApS, Gadinvest A/S, Gadplast ApS and Gadmol ApS. Investeringselskabet Damhaven A/S (BF).

Shares in SP Group: 173,830 personally owned (0) and 104,305 (-1,154,635) through his own company. Related party 1,219,950 (1,200,000).

Warrants in SP Group: 60,000

Frank Gad's shares (personally owned and related parties') account for 13.2% of the shares issued in SP Group. If warrants are included, the holding accounts for 13.7% of the shares issued.

Attendance rate: 100. Male, Danish citizen.



Jørgen Hønnerup Nielsen, CFO

Born in 1956, Graduate Diploma in Business Administration, Odense.

Jørgen Nielsen joined Tinby in 1987 and has been employed in SP Group since 2002. Jørgen Nielsen was admitted as member of the Group Executive Board at 1 March 2007.

Previous employment: Rasm. Holbeck og Søn A/S 1985-87, Revisionsfirmaet Knud E. Rasmussen 1978-85.

External directorships: None. Shares in SP Group: 165,975 personally owned (+20,000). Warrants in SP Group: 45,000.

Jørgen Hønnerup Nielsen's shares (personally owned and related parties') account for 1.5% of the shares issued in SP Group. If warrants are included, the holding accounts for 1.9% of the shares issued.

Attendance rate: 100. Male, Danish citizen.

Management group

Other executive officers in SP Group are:

Mads Juhl, CEO, Acccoat A/S (until June 2019)

Susie-Ann Spiegelhauer, CEO, Acccoat A/S (from 1 July 2019)

Lars Ravn Bering, CEO, Gibo Plast A/S and development director in SP Group A/S

Torben Nielsen, Managing Director of Tinby A/S

Adam Czyzynski, Managing Director, Tinby Sp. z o.o., Poland (until August 2019)

Loïc van der Heijden, Managing Director of TPI Polytechniek B.V., the Netherlands

Claus Lendal, CEO of Ergomat A/S

David Bourghardt, Managing Director of Brdr. Bourghardt AB, Sverige

Søren Ulstrup, CEO, Ulstrup Plast A/S and CEO of SP Moulding A/S

Torben Bruhn, CEO of MedicoPack A/S

Arild S. Johnsen, CEO of Plexx AS / Opido AB

Andreas Lagestig, Managing Director of Opido AB

Kent Bøllingtoft Madsen, CEO of MM Composite A/S

Mikko Toivonen, CEO of Coreplast Laitila Oy (part of SP Group from June 2019)

Tilde Kejlhof, Group CFO, SP Group A/S (from January 2020)

Anders Vestermark Hansen, Group Chief Accountant, SP Group A/S

Mia Mørk, Executive Assistant, SP Group A/S

Kenny Rosendahl, Director, SP Medical A/S (until 31 December 2019)

Mogens Laigaard, Director of SP Medical A/S, guide wire department

Jan R. Sørensen, Managing Director of SP Moulding (Suzhou) Co., Ltd., China

Jens Birklund Andersen, Director of SP Moulding A/S, Stoholm, and of Sander Tech ApS

Jesper R. Holm, Director of SP Moulding A/S, Juelsminde

Iwona Czyzynski, Plant Manager, SP Medical Sp. z o.o., Poland (until August 2019)

Rafal Szefer, Managing Director, SP Medical Sp. z o.o., Poland (from August 2019)

Renato Miom, Plant Manager, Acccoat do Brasil Ltda., Brazil

Anie Simard, Vice President, Ergomat Inc., USA

Monika Karczewska, Managing Director, SP Moulding Sp. z o.o., Poland (from August 2019)

Niels Nørgaard, Plant Manager, Tinby Co. Ltd., China

April Zhu, Supply Chain Manager, Tinby Co. Ltd., China

Martin Baca, Managing Director, Ulstrup Plast s.r.o., Slovakia

Przemyslaw Tuzikiewicz, Managing Director, Tinby Sp. z o.o., Poland (from August 2019)

Anna Szymczak, CFO, SP Group's Polish companies (from August 2019)

Pawel Michalski, Plant Manager, SP Medical Sp. z o.o., Poland

Dominika Rytczak, Plant Manager, Gibo Sp. z o.o., Poland (until March 2019)

Jacek Staszczuk, Plant Manager, Ergomat Sp. z o.o., Poland (until August 2019)

Izabela Filipiak, Plant Manager, Ergomat Sp. z o.o., Poland (from August 2019)

Kim Holm Hansen, Director, Tinby Skumplast A/S

Gusten Bergmark, Managing Director, Nycopac AB, Sweden

Peter Fejfer, Managing Director, MM Composite Inc., USA

Jens Møller og Peder Hyldegaard, Managing Directors, Kodaň Plast s.r.o., Slovakia

immediately before the publication of the annual report on 30 March 2016 and up to 27 April 2016. Moreover, an addition of 7.5% p.a. is added calculated from 1 April 2016 and until the warrants are exercised. The programme will not represent a value to the executives until the shareholders have ascertained increasing share prices. The grant in 2016 was made based on the mandate granted to the Board of Directors by the company in general meeting on 28 April 2016. At year-end 2019, 2,307 warrants under the 2016 programme were outstanding. All warrants are hedged by means of treasury shares.

In 2017, the Board of Directors issued 70,000 warrants to the Executive Board and executive officers in the Group. Frank Gad received 6,000 warrants, and Jørgen Nielsen received 4,000 warrants. The remaining 60,000 warrants were distributed between 37 executives. The issued warrants can be exercised to subscribe for shares in the period 1 April 2020 – 31 March 2023; however, exercise can only take place during the first two weeks in those periods where Management is allowed to trade the Company's shares in accordance with the Company's internal rules. The exercise price is fixed at DKK 775 based on the listed price immediately before and after the publication of the annual report on

30 March 2017. Moreover, an addition of 7.5% p.a. is added calculated from 1 April 2017 and until the warrants are exercised. The programme will not represent a value to the executives until the shareholders have ascertained increasing share prices. The grant in 2017 was made based on the mandate granted to the Board of Directors by the company in general meeting on 28 April 2016. All warrants are partially hedged by means of treasury shares.

In 2018, the Board of Directors issued 41,500 warrants to the Executive Board and executive officers in the Group. Frank Gad received 3,000 warrants, and Jørgen Nielsen received 2,000 warrants. The remaining 36,500 warrants were distributed between 41 executives. The issued warrants can be exercised to subscribe for shares in the period 1 April 2021 – 31 March 2024; however, exercise can only take place during the first two weeks in those periods where Management is allowed to trade the Company's shares in accordance with the Company's internal rules. The exercise price is fixed at DKK 1,250 based on the listed price immediately before and after the publication of the annual report on 22 March 2018. Moreover, an addition of 7.5% p.a. is added calculated from 1 April 2018 and until the warrants are exercised. The programme will not represent a value to the executives until the shareholders have ascertained increasing share prices. The grant in 2018 was made based on the mandate granted to the Board of Directors by the company in general meeting on 28 April 2016.

Due to the 1:5 share split in May 2018; each existing warrant issued before May 2018 will be entitled to subscription for 5 shares at 20% of the original exercise price.

In 2019, the Board of Directors issued 240,000 warrants to the Executive Board and executive officers in the Group. Frank Gad received 15,000 warrants, and Jørgen Nielsen received 15,000 warrants. The remaining 210,000 warrants were distributed between 42 executives. The issued warrants can be exercised to subscribe for shares in the period 1 April 2022 – 31 March 2025; however, exercise can only take place during the first two weeks in those periods where Management is allowed to trade the Company's shares in accordance with the Company's internal rules. The exercise price is fixed at DKK 210.00 based on the listed price immediately before and after the publication of the annual report on 27 March 2019. Moreover, an addition of 7.5% p.a. is added calculated from 1 April 2019 and until the warrants are exercised. The programme will not represent a value to the executives until the shareholders have ascertained increasing share prices. The grant in 2019 was made based on the mandate granted to the Board of Directors by the company in general meeting on 28 April 2016.

The Board of Directors believes that share-based arrangements are necessary to ensure that SP Group will be able to attract and retain qualified executive officers and other key personnel. The Board of Directors wishes

to tie the executive officers closer to the Group, reward them for their contribution to the long-term value creation and establish that executive officers and shareholders have a common interest in increasing share prices, which helps support the Company's long-term earnings ambition as described in the "Going towards 2022" section on page 11.

SP Group's programmes so far have all been multi-annual programmes to promote long-term and value-adding conduct among the executive officers, and as a result of the annual interest surcharge, the exercise price has been higher than the share price at the grant date. These principles will also apply going forward. The Company will present its remuneration policy at the annual general meeting in 2020.

Key elements in the Group's internal control and risk management systems in connection with the financial reporting

Financial reporting process

The Board of Directors and the Executive Board have the overall responsibility for the Group's control and risk management in connection with the financial reporting process, including compliance with relevant legislation and other adjustments in connection with the financial reporting. The Group's control and risk management systems can provide reasonable but not absolute assurance that fraudulent use of assets, losses and/or material errors and omissions in connection with the financial reporting are avoided.

Control environment

At least once a year, the Board of Directors assesses the Group's organisational structure, the risk of fraud and the existence of internal rules and guidelines.

The Board of Directors and the Executive Board lay down and approve overall policies, procedures and controls in significant areas in connection with the financial reporting process, including business procedures and internal controls, budget and budget follow-up procedures, procedures for the preparation of monthly financial statements and controlling in this connection and procedures for reporting to the Board of Directors.

The Board of Directors may set up committees in relation to special tasks. For further information, see the section "Proper and decent management".

The Executive Board regularly monitors compliance with relevant legislation and other regulations and provisions in connection with the financial reporting and reports to the Board of Directors on an ongoing basis.

Whistle-blower scheme

SP Group and all subsidiaries are striving to establish a business environment, which encourages and protects a high degree of integrity and responsibility.

Accordingly, the Company has established a whistle-blower scheme which allows persons with direct affiliations to the SP Group to report suspected lacking compliance with SP Group's policies and guidelines, legislation and rules as well as other serious irregularities.

Matters in respect of the whistle-blower scheme should be reported by e-mail to hhe@sp-group.dk. The e-mail is forwarded directly to Hans-Henrik Eriksen, who is Chairman of SP Group's Audit Committee and independent member of SP Group's Board of Directors appointed by the general meeting. Executives and employee of the SP Group have no access to see this e-mail.



Tinby casts WaterNest for NMD Care, which is a baby swaddle for children born prematurely.



View over SP Moulding's large injection-moulding machines in Poland.

Guidance on how to use SP Group's whistle-blower scheme is communicated to all entities in local languages.

The whistle-blower scheme is also described on the Company's website. No reports were forwarded by stakeholders in 2019.

Risk assessment

At least once a year, the Board of Directors makes an overall assessment of risks relating to the financial reporting process. As part of the risk management, the Board of Directors considers the risk of fraud and the measures to be taken in order to reduce and/or eliminate such risks. In this connection, Management's incentive/motive, if any, for fraudulent financial reporting or other fraud is discussed.

Audit Committee

The duties of the Audit Committee are attended to by all members of the Board of Directors. Hans-Henrik Eriksen, who is an independent member, possesses accounting and audit qualifications. Hans-Henrik Eriksen is chairman of the Audit Committee and state authorised public accountant. Bente Overgaard is also an independent member. The Audit Committee has its own order of business.

Auditor

To perform the audit, an audit firm of state authorised public accountants is appointed at the annual general meeting upon the Board of Directors' recommendation. The auditor is a representative of the general public. The auditor prepares long-form audit reports to the collective Board of

Directors at least twice a year and also immediately after identifying any matters that the Board of Directors should address. The auditors participate in the meetings of the Board of Directors in connection with the presentation of long-form audit reports to the Board of Directors. Prior to the recommendation for appointment at the annual general meeting, the Board of Directors makes an assessment, in consultation with the Executive Board, of the auditor's independence, competences, etc.

All major subsidiaries are audited by the Company's auditor or by their foreign business partners.

Ownership interests at mid-March 2020:

Board of Directors and Executive Board:	Private	Own company	Related parties	Total	% of share capital
Hans Wilhelm Schur			1,992,346	1,992,346	17.5
Erik Preben Holm	64,160			64,160	0.6
Niels Kristian Agner	115,000		250	115,250	1.0
Hans-Henrik Eriksen	17,500	2,500		20,000	0.2
Bente Overgaard	6,008	1,461	113	7,582	0.1
Frank Gad	173,830	104,305	1,219,950	1,498,085	13.2
Jørgen Nielsen	165,975			165,975	1.5
	542,473	108,266	3,212,659	3,863,398	33.9