

# 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 2019" 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 2018, the Board of Directors held 11 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 have increased to 25-45% by the end of 2019. 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 renomination at the annual general meeting in 2019. 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. The Board of Directors appointed Hans W. Schur as its chairman and Erik P. Holm as its deputy chairman after the annual general meeting.

Sales Manager Henrik Østrup, Gibo Plast, Managing Director Lars Bering, Gibo Plast and Managing Director Torben Nielsen, Tinby.



SP Group's subsidiaries Tinby, Gibo, SP Moulding, Brdr. Bourghardt and MM Composite participated as exhibitors in the large wind energy expo in Hamburg in September 2018



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

Provided that the Board of Directors is re-elected at the annual general meeting in 2019, its composition and structure will remain unchanged.

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

At the ordinary 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 general meeting, most recently in 2014. A new remuneration policy will be presented for discussion at the annual general meeting in 2019.

The Board of Directors has no incentive programmes but receives ordinary remuneration determined by the annual general meeting. At the general meeting in 2018, the Board of Directors will propose that directors' remuneration for 2018 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 2019, it is proposed that remuneration should remain unchanged.

Remuneration of the Executive Board is negotiated by the chairman and adopted by the Board of Directors. The remuneration consists of a basic salary and usual benefits such as company-paid telephone, car, etc. In 2018, the total remuneration for the Executive Board amounted to DKK 7.1 million as against DKK 6.8 million in the previous year. Members of the Executive Board make pension 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.

### Management remuneration

| DKK'000                 | Remuneration | Membership of committees | Bonus        | Company car | Pension *) | Share-based payment **) | Total        |
|-------------------------|--------------|--------------------------|--------------|-------------|------------|-------------------------|--------------|
| <b>2018</b>             |              |                          |              |             |            |                         |              |
| Hans Wilhelm Schur      | 375          | 0                        | -            | -           | -          | -                       | 375          |
| Erik Preben Holm        | 275          | 0                        | -            | -           | -          | -                       | 275          |
| Niels Kristian Agner    | 300          | 0                        | -            | -           | -          | -                       | 300          |
| Hans-Henrik Eriksen     | 225          | 50                       | -            | -           | -          | -                       | 275          |
| Bente Overgaard         | 225          | 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        |
|                         | <b>7,050</b> | <b>50</b>                | <b>1,200</b> | <b>221</b>  | <b>0</b>   | <b>0</b>                | <b>8,521</b> |
| <b>2017</b>             |              |                          |              |             |            |                         |              |
| Niels Kristian Agner    | 450          | 0                        | -            | -           | -          | -                       | 450          |
| Erik Preben Holm        | 275          | 0                        | -            | -           | -          | -                       | 275          |
| Hans-Henrik Eriksen     | 225          | 50                       | -            | -           | -          | -                       | 275          |
| Hans Wilhelm Schur      | 225          | 0                        | -            | -           | -          | -                       | 225          |
| Erik Christensen        | 75           | 0                        | -            | -           | -          | -                       | 75           |
| Bente Overgaard         | 150          | 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        |
|                         | <b>6,770</b> | <b>50</b>                | <b>1,200</b> | <b>258</b>  | <b>0</b>   | <b>0</b>                | <b>8,278</b> |
| <b>2016</b>             |              |                          |              |             |            |                         |              |
| Niels Kristian Agner    | 400          | 0                        | -            | -           | -          | -                       | 400          |
| Erik Preben Holm        | 250          | 0                        | -            | -           | -          | -                       | 250          |
| Hans-Henrik Eriksen     | 200          | 50                       | -            | -           | -          | -                       | 250          |
| Hans Wilhelm Schur      | 200          | 0                        | -            | -           | -          | -                       | 200          |
| Erik Christensen        | 200          | 0                        | -            | -           | -          | -                       | 200          |
| Frank Gad               | 3,600        | 0                        | 300          | 138         | 0          | 0                       | 4,038        |
| Jørgen Hønnerup Nielsen | 1,536        | 0                        | 100          | 117         | 0          | 0                       | 1,753        |
|                         | <b>6,386</b> | <b>50</b>                | <b>400</b>   | <b>255</b>  | <b>0</b>   | <b>0</b>                | <b>7,091</b> |

\*) 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 2019



**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 1,972,544 (-362,116) through related parties  
Other directorships: Dansk Industri, Horsens (BM), 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 (D), Schur Pack Sweden AB (BF), Schur Pack Germany GmbH (BF), Schur Ekmans Kartong AB (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), SP Moulding A/S (BF), Dit Pulterkammer A/S (BM).  
Attendance rate: 90.91.  
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: 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), Victor Gruppen Restauranter Holding ApS (BF), Cenex ApS (BF), VGRH II ApS (BF), Arvid Nilssons Fond (NF), SP Moulding A/S (NF), Itadel A/S (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), Svendsen Sport A/S (BM), MIE4 7 Datter 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), MIE5 Holding 1 ApS (D).  
Attendance rate: 81.82.  
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 (-25,000) and 0 through his own company (0).  
Other directorships: Pigo Management ApS (D), G.E.C. Gads Forlag Aktieselskab af 1994 (BM), G.E.C. Gads Fond (commissioned) and SP Moulding A/S (BM).  
Attendance rate: 90.91.  
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,**  
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), Bagger-Sørensen Fonden (BM), SP Moulding A/S (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), Ejendomsselskabet SF44 A/S (NF), Nicolinehus A/S (BM), Arcedi Biotech ApS (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 og D), 4 Best Invest ApS (D), Tina Holding ApS (D), J-Flight ApS (D), Ideca IVS (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).  
Attendance rate: 100.  
Male, Danish citizen.  
Broad experience in finance and accounting practice as well as auditing and investments  
State Authorised Public Accountant.  
Chairman of the Audit Committee.  
Independent.



**Bente Overgaard,**  
MSc Political Science, Hellerup, born 1964.  
Member of the Board of Directors since 2017.  
No. of shares: 4,816 personally owned (+1,016)  
Other directorships: Haslev Invest (BF), Energinet.dk (chairman of the audit committee), Den Danske Naturfond (NF), Finansiell Stabilitet (BM), Royal Arena (BM), Johannes Fogs Fond (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 of Directors

D = Director

BM = Board member

NF = Deputy Chairman

MI = Member of investment committee

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 2016, 2017 and 2018. However, SP Group has set up long-term incentive schemes.

In 2015, the Board of Directors issued 50,000 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 40,000 warrants were distributed between 26 executives. The issued warrants can

be exercised to subscribe for shares in the period 1 April 2018 – 31 March 2021; 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 255 based on the listed price immediately before the publication of the annual report on 26 March 2015 and up to 27 April 2015. Moreover, an addition of 7.5% p.a. is added calculated from 1 April 2015 and until the warrants are exercised. The programme will not represent

## Executive Board



### Frank Gad, CEO

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

Frank Gad took up his position in November 2004 and is also the CEO of SP Moulding A/S and chairman of the Board of Directors of 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, Gadplast ApS and Gadmol ApS. Investeringselskabet Damhaven A/S (BF).

Shares in SP Group: 173,830 personally owned (-276,000) and 1,258,940 (-96,900) through his own company.

Related party 19,950 (0).

Warrants in SP Group: 75,000

Frank Gad's shares (personally owned and related parties') account for 12.75% of the shares issued in SP Group.

If warrants are included, the holding accounts for 13.41% 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: 145,975 personally owned (+11,000).

Warrants in SP Group: 50,000

Jørgen Hønnerup Nielsen's shares (personally owned and related parties') account for 1.3% of the shares issued in SP Group.

If warrants are included, the holding accounts for 1.7% of the shares issued.

Attendance rate: 100.

Male, Danish citizen.

## Management team

Other executive officers in SP Group are:

**Mads Juhl**, CEO of Accoat A/S

**Lars Ravn Bering**, Managing Director of Gibo Plast A/S and VP of Business Development in SP Group A/S

**Torben Nielsen**, Managing Director of Tinby A/S

**Adam Czyzynski**, Managing Director of Tinby Sp. z o.o., Poland

**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, Sweden

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

**Torben Krøyer Bruhn**, Managing Director 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

**Mia Mørk**, Executive Assistant, SP Group A/S

**Kenny Rosendahl**, CEO of SP Medical A/S

**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

**Jan Kyster Madsen**, CEO of SP Extrusion A/S (until August 2018)

**Iwona Czyzynski**, Plant Manager, SP Medical Sp. z o.o., Poland

**Renato Miom**, Plant Manager, Accoat do Brasil Ltda., Brazil

**Anie Simard**, Vice President, Ergomat Inc., USA

**Monika Karczewska**, Plant Manager, SP Moulding Sp. z o.o., Poland

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

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

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

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

**Dominika Rytczak**, Plant Manager, Gibo Sp. z o.o., Poland

**Przemyslaw Tuzikiewicz**, Plant Manager, Tinby Sp. z o.o., Poland

**Jacek Staszczyk**, Plant Manager, Ergomat Sp. z o.o., Poland

**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 and Peder Hyldegaard**, Managing Directors, Kodaň Plast s.r.o., Slovakia

a value to the executives until the shareholders have ascertained increasing share prices. The grant in 2015 was made based on the mandate granted to the Board of Directors by the company in general meeting in 2013.

At year end 2018, 3,000 warrants under the 2015 programme were outstanding. All warrants are hedged by means of treasury shares.

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 war-

rants, and Jørgen Nielsen received 4,000 warrants. The remaining 49,000 warrants were distributed between 29 executives. The issued warrants can be exercised to subscribe for shares in the period 1 April 2019 – 31 March 2022; 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 390 based on the listed price 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. All warrants are partially 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.

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 will be entitled to subscription for 5 shares at 20% of the original exercise price.

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.

## 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

The Board of Directors has decided to establish a whistle-blower scheme, which lies with the chairman of the Audit Committee. Whistle-blowers can send their concerns to the e-mail address [hhe@sp-group.dk](mailto:hhe@sp-group.dk). The whistle-blower scheme is also described on the Company's website.

### 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.



TPI Polytechnik's stand at the IPPE expo in Atlanta, USA.



Gibo Plast has invested in new vacuum-forming machinery.

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 rules of procedure.

#### 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 auditor participates 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 2019:

| Board of Directors and Executive Board: | Private        | Own company      | Related party    | Total            | % of share capital |
|---|----------------|------------------|------------------|------------------|--------------------|
| Hans Wilhelm Schur                      |                |                  | 1,972,574        | 1,972,574        | 17.3               |
| Erik Preben Holm                        | 64,160         |                  |                  | 64,160           | 0.6                |
| Niels Kristian Agner                    | 115,000        |                  |                  | 115,000          | 1.0                |
| Hans-Henrik Eriksen                     | 17,500         | 2,500            |                  | 20,000           | 0.2                |
| Bente Overgaard                         | 4,816          |                  |                  | 4,816            | 0.0                |
| Frank Gad                               | 173,830        | 1,258,940        | 19,950           | 1,452,720        | 12.8               |
| Jørgen Nielsen                          | 145,975        |                  |                  | 145,975          | 1.3                |
|   | <b>521,281</b> | <b>1,261,440</b> | <b>1,992,524</b> | <b>3,775,245</b> | <b>33.1</b>        |



SP Moulding's new 500T 2K machine in Poland.