

**The Company's position on the  
Recommendations on Corporate Governance  
for the 2019 financial year**

**March 2020**

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On 23 November 2017, the Committee on Corporate Governance issued revised Recommendations on Corporate Governance in accordance with the “comply or explain” principle. The recommendations apply to financial years beginning on or after 1 January 2018. NASDAQ Copenhagen A/S subsequently incorporated the recommendations into the disclosure requirements for listed companies. On the following pages, the recommendations of the Committee on Corporate Governance are provided in the left-hand column, and the positions and practices of SP Group are described in the right-hand column. For the sake of clarity, SP Group has used the following colour codes:

➡ = Complies in full   ➡ = Complies in part   ➡ = Other practice at SP Group

## Report on corporate governance at SP Group

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<b>I. Communication and interaction by the company with its investors and other stakeholders</b>	
<b>1.1. Dialogue between company, shareholders and other stakeholders</b>	
<p>1.1.1 <b>The Committee recommends</b> that the board of directors ensure ongoing dialogue between the company and its shareholders, so that the shareholders gain relevant insight into the company and in order for the board of directors to be aware of the shareholders’ views, interests and opinions in relation to the company.</p>	<p>➡ The annual general meeting is considered to be the central forum for shareholders in their dialogues with other shareholders or with Management. At annual general meetings, shareholders are given detailed information on operations, performance, targets and policies to form the basis of qualified discussions.</p> <p>In day-to-day business, the Company’s website serves as the primary source of information for stakeholders. The website provides updated information about the Company’s activities and capital structure, and announcements and share-related presentations are made available on the website immediately after release. The website also contains other relevant information, and interested parties may subscribe to newsletters and company announcements.</p> <p>As part of its communication activities, SP Group arranges investor meetings and attends meetings arranged by banks, investors or other parties. SP Group responds to all enquiries from shareholders and other stakeholders as soon as possible.</p> <p>The communication activities are intended to ensure that primary stakeholders will have access to reliable, relevant and current information about SP Group on an ongoing basis, which allows them to have an understanding of the Company and its activities, business targets, strategies and performance.</p> <p>The Group continually considers ways in which to strengthen communication. Communication is given high priority at SP Group, and it is handled by the chairman of the Board of Directors and the CEO.</p>
<p>1.1.2. <b>The Committee recommends</b> that the board of directors adopt policies on the</p>	<p>➡ SP Group has defined guidelines for its communication and relations with its key stakeholders, including an</p>

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company's relationship with its stakeholders, including shareholders, and that the board of directors ensure that the interests of the shareholders are respected in accordance with company policies.	investor relations policy.. Management is committed to maintaining an active dialogue with stakeholders based on openness and transparency.
1.1.3. <b>The Committee recommends</b> that the company publish quarterly reports.	➡ SP Group prepares its quarterly reports in Danish and in English.
<b>1.2. General meeting</b>	
1.2.1. <b>The Committee recommends</b> that in organising the company's general meeting, the board of directors plan the meeting to support active ownership.	➡ According to the Company's articles of association, annual general meetings must be convened at not less than three and not more than five weeks' notice. The date of the annual general meeting will be published about three or four months in advance in the Company's financial calendar in due time for the shareholders to prepare for the general meeting. Key agenda items and proposals are discussed in the annual report as well as in the notice convening the general meeting and adverts announcing the general meeting. It is important to the Board of Directors that the shareholders are given thorough information about matters on which resolutions are submitted for adoption at the general meeting. General meetings provide an opportunity for shareholders to ask questions to the Board of Directors and the Executive Board and an opportunity for them to submit resolutions within a given deadline for consideration at the general meeting. All shareholders are entitled to attend general meetings or exercise their influence by votes by post or proxies.
1.2.2. <b>The Committee recommends</b> that proxies or votes by post for the general meeting allow shareholders to consider each individual item on the agenda.	➡ Shareholders may grant proxy or vote by post for each individual item on the agenda.
<b>1.3. Takeover bids</b>	
1.3.1. <b>The Committee recommends</b> that the company set up contingency procedures in the event of takeover bids, from the time that the board of directors has reason to believe that a takeover bid will be made. The contingency procedures should establish that the board of directors should not without the acceptance of the general meeting attempt to counter the takeover bid by making decisions which, in reality, prevent the shareholders from deciding on the takeover bid themselves.	➡ The articles of association of SP Group do not contain any provisions restricting ownership or voting rights. Accordingly, the shareholders are free to exercise their influence. If an offer is made to acquire the Company's shares, the Board of Directors will, as prescribed by law, give full consideration to the offer and communicate the offer to shareholders, accompanied by comments by the Board of Directors. In the event of a takeover bid, the Board of Directors will not attempt to increase the share capital, acquire treasury shares or take any other action which would effectively prevent the shareholders from

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	deciding on the takeover bid. The Company has set up contingency procedures.
<b>2. Tasks and responsibilities of the board of directors</b>	
<b>2.1. Overall tasks and responsibilities</b>	
<p>2.1.1. <b>The Committee recommends</b> that at least once annually the board of directors consider the matters that should be included in the board's performance of its work.</p>	<p>➡ Each year, the Board of Directors defines its most important tasks, prepares an annual cycle and reviews its rules of procedure. The key priorities of the Board of Directors are the Company's overall strategic goals, value creation and efficient management, appropriate reporting and financial controls, ensuring proper business conduct and that the necessary skills and financial resources are available.</p>
<p>2.1.2 <b>The Committee recommends</b> that at least once annually the board of directors consider the overall strategy of the company with a view to ensuring value creation in the company.</p>	<p>➡ The overall review and definition of the Company's strategy takes place at an annual meeting and as and when required.</p>
<p>2.1.3. <b>The Committee recommends</b> that the board of directors ensure that the company has a capital and share structure which supports that the strategy and long-term value creation of the company are in the best interest of the shareholders and the company, and that the board of directors explain this in the management commentary and/or on the company's website.</p>	<p>➡ The Board of Directors regularly assesses the Group's financial [[position, financial targets, dividend policy and capital and share structures. The Board's findings are included in the annual report, which is available on the Company's website, and are also reviewed at the annual general meeting.</p>
<p>2.1.4. <b>The Committee recommends</b> that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board's reporting to the board of directors.</p>	<p>➡ According to its rules of procedure, the Board of Directors must at least at one annual meeting address the topics of internal controls, organisation, risks, targets and strategies, the Executive Board's management of the Company and reporting to the Board of Directors etc. In practice, these topics are addressed on an ongoing basis.</p> <p>In its weekly report to the Board of Directors, the Executive Board addresses a number of recurring topics, including the Group's cash position, the performance of the individual business areas, the current order book, etc. The Executive Board also prepares monthly reports containing detailed financial information and presents at each Board meeting the most recent financial statements, the expected full-year financial performance, capital resources, expected liquidity, etc. as well as any major transactions.</p>

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2.1.5. <b>The Committee recommends</b> that at least once annually the board of directors discuss the composition, developments, risks and succession plans of the executive board.	➡ The composition and development of the Executive Board and any succession plans are discussed regularly and at least once a year.
<b>2.2. Corporate social responsibility</b>	
2.2.1. <b>The Committee recommends</b> that the board of directors adopt policies on corporate social responsibility.	➡ SP Group has adopted policies for its corporate responsibility, which are described in its annual report and on its website.
<b>2.3 Chairman and vice-chairman of the board of directors</b>	
2.3.1. <b>The Committee recommends</b> appointing a vice-chairman of the board of directors, who will assume the responsibilities of the chairman in the event of the chairman’s absence, and who will also act as effective sparring partner for the chairman.	➡ The Board of Directors has elected a deputy chairman. The deputy chairman acts as a substitute of and as a sounding board for the chairman. The tasks, duties and responsibilities of the chairman and the deputy chairman are set out in the rules of procedure for the Board of Directors.
2.3.2. <b>The Committee recommends</b> that, if the board of directors, in exceptional cases, asks the chairman of the board of directors or other board members to perform special activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect should be passed to ensure that the board of directors maintains its independent, general management and control function. Resolutions on the chairman’s or other board members’ participation in day-to-day management and the expected duration hereof should be publicly announced.	➡ SP Group has not yet experienced a situation in which the chairman of the Board of Directors or other Board member has performed special tasks for the Company or taken part in the day-to-day management. Should such need arise, it will be subject to a Board resolution and be announced in a company announcement.
<b>3. Composition and organisation of the board of directors</b>	
<b>3.1. Composition</b>	
3.1.1. <b>The Committee recommends</b> that the board of directors annually evaluate and in the management commentary account for <ul style="list-style-type: none"> <li>• the competencies that it must have to best perform its tasks,</li> <li>• the composition of the board of directors, and</li> <li>• the special competencies of each member.</li> </ul>	➡ The Board of Directors continually endeavours to ensure that it has the competencies required to perform its duties. The Board of Directors is composed of members holding relevant industry knowledge and members who currently represent or have previously represented major shareholders of SP Group. The Board of Directors is considered to have the proper skills and experience currently needed to manage the Group in the best possible manner. Each year, SP Group publishes a profile of the entire Board of Directors and an evaluation of its composition together with information about the special skills of the Board members both as a group and individually.

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<p>3.1.2. <b>The Committee recommends</b> that the board of directors annually discuss the company's activities to ensure relevant diversity at management levels and prepare and adopt a policy on diversity. The policy should be published on the company's website.</p>	<p>➡ In order to best promote diversity on the Board of Directors, the Executive Board and the rest of the management team, SP Group aims for each member of management to have the skills and profile required for contributing optimally to SP Group's performance.</p> <p>The Board of Directors is committed to offering equal opportunities for everyone, regardless of gender, age or nationality. The Board of Directors has defined targets for the representation of the under-represented gender in management, and the targets are continuously followed up in the annual report:</p> <ul style="list-style-type: none"> <li>• The Board of Directors had resolved that the Company's ultimate management level (the members of the Board of Directors elected by the shareholders) was to elect at least one member of the under-represented gender at the annual general meeting held in 2017 at the latest. This target was achieved at the annual general meeting held in 2017. The target is maintained.</li> <li>• As regards the day-to-day management (the Executive Board and the management team), the corresponding target was 20% by the end of 2007. The target was achieved in 2016 but was subsequently reduced to 17% in 2018 because the management team was expanded. The target is maintained, and the aim is that each gender is represented among the final three candidates when management positions are to be filled.</li> </ul>
<p>3.1.3. <b>The Committee recommends</b> that the selection and nomination of candidates for the board of directors be carried out through a careful and transparent process approved by the board of directors. When assessing its composition and nominating new candidates, the board of directors should in addition to the need for competencies and qualifications take into consideration the need for integration of new talent and diversity.</p>	<p>➡ When nominating new Board members, the Board of Directors carefully considers the knowledge and professional experience required to ensure that the necessary competencies are represented on the Board of Directors. At the same time, the Board of Directors is committed to achieving a composition which ensures that its members complement each other in the best possible way with respect to age, background, skills, gender, etc. thus ensuring a competent and versatile contribution to the Board work at SP Group.</p>
<p>3.1.4. <b>The Committee recommends</b> that the notice convening a general meeting where the agenda includes the election of members to the board of directors, include (in addition to the statutory requirements) a description of the</p>	<p>➡ Prior to the nomination of new candidates for the Board of Directors at the general meeting, a presentation is provided of the candidates' qualifications and other managerial positions as well as of the criteria applied by the Board of Directors in the nomination.</p>

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<p>qualifications of the nominated candidates, including information about the candidates'</p> <ul style="list-style-type: none"> <li>• other executive functions, including positions on executive boards, boards of directors and supervisory boards, including board committees, in Danish and foreign enterprises, and</li> <li>• demanding organisational tasks.</li> </ul> <p>Furthermore, it should be indicated if the candidates to the board of directors are considered independent.</p>	<p>Information about managerial positions, demanding organisational tasks and the independence of candidates recommended for re-election is provided in the annual report.</p>
<p><b>3.1.5. The Committee recommends</b> that members of the company's executive board not be members of the board of directors and that a resigning chief executive officer not be directly elected as chairman or vice chairman for the same company.</p>	<p>➡ The current members of SP Group's Executive Board are not members of the Board of Directors, and no member of the Board of Directors is a former member of the Executive Board of SP Group.</p>
<p><b>3.1.6. The Committee recommends</b> that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.</p>	<p>➡ All shareholder-elected members serve for terms of one year.</p>
<p><b>3.2. Independence of the board of directors</b></p>	
<p><b>3.2.1. The Committee recommends</b> that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests.</p> <p>To be considered independent, this person may not:</p> <ul style="list-style-type: none"> <li>• be or within the past five years have been a member of the executive board or senior staff member in the company, a subsidiary or an associated company,</li> <li>• within the last five years, have received significant remuneration from the company/group, a subsidiary or an associated company in a different capacity than as member of the board of directors,</li> <li>• represent or be associated with a controlling shareholder,</li> <li>• within the past year, have had significant business relations (e.g. personally or indirectly as partner or employee, shareholder, customer, supplier or member</li> </ul>	<p>➡ Three out of five shareholder-elected members have served on the Board of Directors for more than 12 years, and SP Group considers the Board members' experience from the Company and their in-depth knowledge of the plastics industry to be of decisive importance, even though these three members cannot be defined as independent.</p> <p>SP Group will at one any time have at least one member who is independent.</p> <p>In all other respects, SP Group's Board of Directors meets the definition of independence, and the members have no interests in the Company other than as shareholders.</p>



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<p>of management in companies with corresponding connection) with the company, a subsidiary or an associated company,</p> <ul style="list-style-type: none"> <li>• be or within the past three years have been employed or been a partner in the same company as the auditor elected by the general meeting,</li> <li>• be part of the executive management in a company with cross-management representation in the company,</li> <li>• have been member of the board of directors for more than 12 years, or</li> <li>• be a close relative of persons who are not considered independent.</li> </ul> <p>Even if a member of the board of directors is not covered by the above criteria, certain conditions may exist that will lead the board of directors to decide that one or more members cannot be regarded as independent.</p>	
<b>3.3. Members of the board of directors and the number of other management functions</b>	
<p>3.3.1. <b>The Committee recommends</b> that each member of the board of directors assess the expected time commitment for each function so that the member does not take on more functions than he/she can complete at a satisfactory level for the company.</p>	<p>➡ All members of the Board of Directors of SP Group are required to consider whether they can set aside the time required for undertaking Board work for the Company.</p>
<p>3.3.2. <b>The Committee recommends</b> that the management commentary, in addition to the provisions laid down by legislation, include the following information about the members of the board of directors:</p> <ul style="list-style-type: none"> <li>• the position of the relevant person,</li> <li>• the age and gender of the person in question,</li> <li>• the person’s competencies and qualifications that are relevant to the company,</li> <li>• whether the member is considered independent,</li> <li>• the member’s date of appointment to the board of directors,</li> <li>• expiry of the current election term,</li> <li>• the member’s participation in the meetings of the board of directors and committee meetings,</li> </ul>	<p>➡ The annual report provides information about Board members’ occupation, year of birth, gender, managerial positions, qualifications, year of election and the shareholdings held by them or their related parties (including any changes during the financial year). The annual report further specifies which members are considered to be independent according to the definitions set out in the guidelines.</p> <p>The Board members being elected for terms of one year implies that they are up for election every year. The remuneration is also specified, but members of the Board of Directors of SP Group do not receive share-based remuneration or incentive pay.</p>

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<ul style="list-style-type: none"> <li>• other management functions, including memberships in executive boards, boards of directors and supervisory boards, including board committees, in Danish and foreign enterprises and demanding organisational tasks, and</li> <li>• the number of shares, options, warrants and similar owned by the member in the company, and other group companies, as well as changes to the member's portfolio of the mentioned securities which have occurred during the financial year.</li> </ul>	
<p>3.3.3. <b>The Committee recommends</b> that the annual evaluation procedure, cf. section 3.5, include an evaluation of what is regarded as a reasonable level for the number of other management functions, where the number, level and complexity of the other individual management functions are taken into account.</p>	<p>➡ These matters are included in the Board of Directors' discussions, cf. section 3.5.</p>
<p><b>3.4. Board committees</b></p>	
<p>3.4.1. <b>The Committee recommends</b> that the company publish the following on the company's website:</p> <ul style="list-style-type: none"> <li>• the terms of reference of the board committees,</li> <li>• the most important activities of the committees during the year and the number of meetings held by each committee, and</li> <li>• the names of the members of each committee, including the chairmen of the committees, as well as information regarding which members are independent members and which members have special competencies.</li> </ul>	<p>➡ The Board of Directors considers at least once a year whether to set up Board committees. Given SP Group's current size, the Board of Directors does not find it necessary for SP Group to have Board committees. In part due to its limited size, the Board constitutes a natural and appropriate forum of discussion of the relevant topics. Hence, the Board of Directors has decided that the entire Board of Directors will serve as the Audit Committee.</p>
<p>3.4.2. <b>The Committee recommends</b> that a majority of the members of a board committee be independent.</p>	<p>Not applicable. See above.</p>
<p>3.4.3. <b>The Committee recommends</b> that the members of the board of directors set up among its members an <u>audit committee</u> and that a chairman is appointed who is not the chairman of the board of directors.</p>	<p>➡ The Board of Directors of SP Group handles the tasks of an audit committee. The Board of Directors is considered to have the necessary professional expertise, experience and insight into financial reporting and accounting and audit matters of listed companies. The chairman of the Audit Committee is independent and not the chairman of the Board of Directors.</p>

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<p>3.4.4. <b>The Committee recommends</b> that, prior to the approval of the annual report and other financial reports, the audit committee monitor and report to the board of directors about:</p> <ul style="list-style-type: none"> <li>• significant accounting policies,</li> <li>• significant accounting estimates,</li> <li>• related party transactions, and</li> <li>• uncertainties and risks, including in relation to the outlook for the current year.</li> </ul>	<p>➡ Audit Committee meetings are held prior to Board meetings and attended by the entire Board. The matters listed are among the items considered at the meetings.</p>
<p>3.4.5. <b>The Committee recommends</b> that the audit committee:</p> <ul style="list-style-type: none"> <li>• annually assess the need for an internal audit function and, in such a case, presents mandates and recommendations on selecting, appointing and removing the head of any internal audit function and on the budget of the internal audit function,</li> <li>• ensure that if an internal audit has been established, a description of its functions is approved by the board of director,</li> <li>• ensure that if an internal audit has been established, adequate resources and competencies are allocated to carry out the work, and</li> <li>• monitor the executive board’s follow-up on the conclusions and recommendations of the internal audit function.</li> </ul>	<p>➡ The Board of Directors regularly considers the need for an internal audit function, but no such function has yet been set up. Internal controls and guidelines are discussed at the ordinary Board meeting held in March of each year in connection with the approval of the annual report and again at the ordinary Board meetings held each August and December.</p>
<p>3.4.6. <b>The Committee recommends</b> that the board of directors establish a <u>nomination committee</u>, which is at least, responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• describing the qualifications required by the board of directors and the executive board and for a given position, indicating the time expected to be spent carrying out a specific position, as well as assessing the competencies, knowledge and experience found in the two governing bodies,</li> <li>• annually assessing the structure, size, composition and results of the board of directors and the executive board and recommend any changes to the board of directors,</li> <li>• annually assessing the competencies, knowledge, experience and succession of the individual members of management, and report to the board of directors in this respect,</li> </ul>	<p>➡ Given SP Group’s current size, the Board of Directors believes that it is not necessary for SP Group to have a nomination committee. In part due to its limited size, the Board constitutes a natural and appropriate forum of discussion of the relevant topics.</p> <p>Accordingly, nomination of candidates for the Executive Board and the Board of Directors, evaluation of skills and succession are undertaken by the entire Board of Directors.</p>

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<ul style="list-style-type: none"> <li>recommending candidates for the board of directors and the executive board, and</li> <li>proposing an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.</li> </ul>	
<p>3.4.7. <b>The Committee recommends</b> that the board of directors establish a <u>remuneration committee</u>, which is at least responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>recommending the remuneration policy (including the “General Guidelines for incentive-based Remuneration”) to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting,</li> <li>making proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensuring that the remuneration is in compliance with the company’s remuneration policy and the assessment of the performance of the persons concerned. The committee should have information on the total remuneration that members of the board of directors and the executive board receive from other companies in the group,</li> <li>recommending a remuneration policy applicable for the company in general, and</li> <li>assisting with the preparation of the annual remuneration report.</li> </ul>	<p>➡ Given SP Group’s current size, the Board of Directors believes that it is not necessary for SP Group to have a remuneration committee. In part due to its limited size, the Board constitutes a natural and appropriate forum of discussion of the relevant topics.</p> <p>The drafting of the remuneration policy and its implementation are thus undertaken by the entire Board and the shareholders in general meeting.</p>
<p>3.4.8. <b>The Committee recommends</b> that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p>	<p>Not applicable. See above.</p>
<p><b>3.5. Evaluation of the performance of the board of directors and the executive board</b></p>	
<p>3.5.1. <b>The Committee recommends</b> that the board of directors establish an evaluation procedure for an annual evaluation of the board of directors and the individual members. External assistance should be obtained at least every third year. The evaluation should inter alia include:</p> <ul style="list-style-type: none"> <li>contribution and results,</li> <li>cooperation with the executive board,</li> <li>the chairman’s leadership of the board of directors,</li> </ul>	<p>➡ The Board of Directors regularly discusses its work, performance, mutual interaction and the contribution by the individual members, composition and the number of members. These matters are discussed regularly in order to support the Board in its work. SP Group believes that such regular discussions will to a much greater extent add to the Board’s ability to develop and produce results than would a single annual self-evaluation. The chairman provides an account of its considerations at the general meeting.</p>

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<ul style="list-style-type: none"> <li>the composition of the board of directors (including competencies, diversity and the number of members),</li> <li>the work in the committees and the committee structure, and</li> <li>the organisation and quality of the material that is submitted to the board of directors.</li> </ul> <p>The evaluation procedure and the general conclusions should be described in the management commentary and on the company's website. The chairman should account for the evaluation of the board of directors, including the process and general conclusions, on the general meeting prior to the election of the board of directors.</p>	
<p><b>3.5.2. The Committee recommends</b> that at least once annually, the board of directors evaluate the work and performance of the executive board in accordance with pre-defined criteria. Furthermore, the board of directors should evaluate the need for changes to the structure and composition of the executive board, in light of the company's strategy.</p>	<p>➡ The work and performance of the Executive Board are evaluated regularly and at least once every year when the remuneration of the Executive Board is determined.</p>
<p><b>3.5.3. The Committee recommends</b> that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the board of directors and the chief executive officer, and that the outcome of the evaluation be presented to the board of directors.</p>	<p>➡ The cooperation between the Board of Directors and the chief executive officer is evaluated regularly and also systematically at an interview held once every year.</p>
<p><b>4. Remuneration of management</b></p>	
<p><b>4.1. Form and content of the remuneration policy</b></p>	
<p><b>4.1.1. The Committee recommends</b> that the board of directors prepare a remuneration policy for the board of directors and the executive board, which includes</p> <ul style="list-style-type: none"> <li>a detailed description of the components of the remuneration for members of the board of directors and the executive board,</li> <li>the reasons for choosing the individual components of the remuneration,</li> </ul>	<p>➡ A remuneration policy for the Board of Directors and the Executive Board has been adopted. It describes the various components of remuneration and explains the relationship between them. The Board provides a description of the main principles of remuneration of the Group's members of management in the annual report and provides an account of the implementation of the policy at the annual general meeting. Any proposed amendments to the policy are presented at the general meeting. The remuneration policy is available at the SP Group website.</p>

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<ul style="list-style-type: none"> <li>a description of the criteria that form the basis for the balance between the individual components of the remuneration, and</li> <li>an explanation for the correlation between the remuneration policy and the company's long-term value creation and relevant related goals.</li> </ul> <p>The remuneration policy should be approved by the general meeting at least every fourth year and upon any material amendments and published on the company's website.</p>	
<p>4.1.2. <b>The Committee recommends</b> that, if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> <li>limits be set on the variable components of the total remuneration package,</li> <li>a reasonable and balanced composition be ensured between remuneration for members of management and the value creation for shareholders in the short and long term,</li> <li>clarity be established about performance criteria and measurability for the award of variable components,</li> <li>it be ensured that variable remuneration not only consists of short-term remuneration components, and that long-term remuneration components must have a vesting or maturity period of at least three years, and</li> <li>it be ensured that the company has the ability to reclaim, in full or in part, variable components of remuneration that were paid on the basis of information, which subsequently is found to be incorrect.</li> </ul>	<p>➡ The remuneration policy includes a description of the individual components as well as the applicable limits and criteria. The remuneration policy was most recently submitted for approval at the general meeting held in 2019, and a revised policy will be submitted at the general meeting to be held in 2020.</p> <p>The Board of Directors has defined principles for the incentive programmes for the Executive Board and other managers, including principles according to which the programmes must have a term of several years in order to encourage long-term behaviour and that the exercise price should always be higher than the share price at the time of grant. This is intended to ensure that the programmes will not be of value to the managers until added shareholder value is achieved.</p> <p>Incentive-based remuneration, including bonuses, is supplemented by share-based remuneration.</p> <p>Current and future programmes are intended to promote long-term behaviour and must be easy to understand and be valued according to generally accepted methods.</p>
<p>4.1.3. <b>The Committee recommends</b> that remuneration of members of the board of directors do not include share options or warrants.</p>	<p>➡ The members of the Board of Directors are not eligible for any incentive programmes, and the Board of Directors has no plans to propose any incentive programmes.</p>
<p>4.1.4. <b>The Committee recommends</b> that if, in relation to long term incentive programmes, a share-based remuneration is used, the programmes should have a vesting or maturity period of at least three years after being allocated and should be roll-over programmes, i.e. the options should be granted periodically.</p>	<p>➡ The programmes of SP Group are roll-over programmes and have terms of several years, and the exercise price is higher than the share price at the time of grant.</p>

Recommendation	The positions and practices of SP Group
<p>4.1.5. <b>The Committee recommends</b> that the total value of the remuneration relating to the notice period, including severance pay, do not exceed two years of remuneration, including all components of the remuneration.</p>	<p>➡ The severance schemes of the Executive Board are described in the annual report and regulated by the remuneration policy. The notice periods for the Executive Board cannot exceed 24 months, and if the employment of a chief executive is terminated by SP Group, the Company will not have an obligation to pay any special severance pay.</p>
<p><b>4.2. Disclosure of remuneration</b></p>	
<p>4.2.1. <b>The Committee recommends</b> that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's statement at the company's general meeting.</p>	<p>➡ The chairman of the Board of Directors provides an account annually of the implementation of the Company's remuneration policy as part of his annual report presented at the Company's annual general meeting. Any proposed amendments to the policy are presented at the general meeting.</p>
<p>4.2.2. <b>The Committee recommends</b> that shareholders at the general meeting consider proposals for approval of remuneration for the board of directors for the current financial year.</p>	<p>➡ The proposed remuneration of the Board of Directors for the current financial year is presented as a separate item on the agenda of the general meeting.</p>
<p>4.2.3. <b>The Committee recommends</b> that the company prepare a remuneration report that includes information on the total remuneration received by each member of the board of directors and the executive board from the company and other companies in the group and associated companies for the last three years, including information on the most important content of retention and resignation arrangements and that the correlation between the remuneration and company strategy and relevant related goals be explained. The remuneration report should be published on the company's website.</p>	<p>➡ The remuneration report forms an integral part of the annual report, which is published on the Company's website. SP Group discloses information on the total remuneration of the last three years and the distribution by category for the individual members of the Board of Directors and the Executive Board, and the resignation arrangements of the individual members of the Executive Board are also disclosed in the annual report. SP Group's remuneration policy describes the correlation between remuneration and the Company's strategic goals.</p>
<p><b>5. Financial reporting, risk management and audits</b></p>	
<p><b>5.1. Identification of risks and transparency about other relevant information</b></p>	
<p>5.1.1. <b>The Committee recommends</b> that the board of directors consider and in the management commentary account for the most important strategic and business-related risks, risks in connection with the financial reporting as well as for the company's risk management.</p>	<p>➡ The key business risks and the management of such risks form an integral part of the annual strategy plans for the Group and its business areas. In addition, the Board of Directors defines the framework for the Group's interest, credit and currency risks and addresses any risks associated with raw materials and energy prices. Developments are reported systematically. The Board of Directors furthermore identifies any risks associated with financial reporting and describes the overall risks and risk management activities in the annual report.</p>

Recommendation	The positions and practices of SP Group
<b>5.2. Whistleblower scheme</b>	
5.2.1. <b>The Committee recommends</b> that the board of directors establish a whistleblower scheme for expedient and confidential notification of serious wrongdoing or suspicions thereof.	<p>➔ The Board of Directors has in 2019 established a whistleblower scheme where actual or perceived serious wrongdoing can be reported confidentially to the chairman of the audit committee by e-mail to <a href="mailto:hhe@sp-group.dk">hhe@sp-group.dk</a>.</p>
<b>5.3. Contact to auditor</b>	
5.3.1. <b>The Committee recommends</b> that the board of directors ensure regular dialogue and exchange of information between the auditor elected by the general meeting and the board of directors, including that the board of directors and the audit committee meet with the auditor elected by the general meeting at least once annually without the executive board present. This also applies to the internal auditor, if any.	<p>➔ The Board of Directors reviews the annual report and the long-form audit report at a meeting with the external auditors, at which the auditors' observations and any material issues discovered in connection with the audit are discussed. The most important accounting policies and accounting estimates are reviewed.</p> <p>According to a fixed schedule of meetings, the Board of Directors meets with the auditors at least once a year without the Executive Board present. In addition to this, the Board of Directors and the auditors are in regular contact as and when needed.</p>
5.3.2. <b>The Committee recommends</b> that the audit agreement and auditors fee be agreed by the board of directors and the auditor elected by the general meeting based on a recommendation from the audit committee.	<p>➔ The scope of the auditors' duties, including fees and audit tasks, is agreed annually between the Board of Directors and the auditors on the basis of a recommendation from the audit committee. Agreements on provision of non-audit services are made on a case-by-case basis.</p>