

# Corporate governance

## 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 provides information on goal achievement on an ongoing basis in order 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 2013 (last update November 2014) 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 May 2013" in the section Corporate governance. SP Group complies with the majority of the recommendations, but has chosen a different practice in some areas which is more suitable for SP Group. The main deviation involves the following:

- SP Group has not determined any mandatory retirement age for the members of the Board of Directors. SP Group finds that a mandatory retirement age is discriminating and also that the capacity and contribution of each member are more important than their birth certificates.

In a few areas, SP Group has not formalised procedures and policies to the same extent as suggested by the Committee on Corporate Governance. SP Group has, for instance, neither an actual stakeholder policy (but a clear attitude to and policies for communication) nor any separate engagement 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.

## The work of the Board of Directors

In 2015, the Board of Directors held 10 meetings, of which two 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 and in the business areas. 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 is a routine procedure 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 meetings in the Board of Directors.

The Board of Directors assesses the Group's financial position, goals, dividend policy and share structure on an ongoing basis. The dividend policy is specified in the section "Shareholder information", and the financial goals are specified in the section "Strategic development". The Board of Directors assesses that the financial structure is appropriate considering the current size and challenges of SP Group, and the Board of Directors aims at an equity ratio of 25-45% to ensure an efficient capital structure in 2015. It is expected that the equity ratio will have increased to 25-45% by the end of 2016. If the equity ratio increases, any excess capital will be paid out to the shareholders.

The Board of Directors receives a weekly report from the Executive Board, which 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 is composed of persons with relevant insight into the plastics industry and management experience from internationally operating production enterprises. Hans W. Schur is connection to a major shareholder in the Company, but cannot be considered to be 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, only Hans-Henrik Eriksen is found to be independent in accordance with the criteria defined by the Committee on Corporate Governance. The other four board members have been members of the Board of Directors for more than twelve years.

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.

The Board of Directors has no incentive programmes but receives an ordinary remuneration determined by the annual general meeting. As announced at the latest annual general meeting, it is recommended that remuneration for 2015 be fixed at DKK 400,000 to the Chairman, DKK 250,000 to the Deputy Chairman and DKK 200,000 to other members. 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 any ad hoc tasks but will be reimbursed for travelling expenses in connection with meetings, etc.

The Board of Directors will propose that the directors' fee for 2016 remains unchanged at DKK 400,000 to the Chairman, DKK 250,000 to the Deputy Chairman and DKK 200,000 to other board members. 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.

Remuneration of the Executive Board is negotiated by the Chairman and adopted by the Board of Directors. The remuneration consists of a basic amount and usual benefits such as company-paid telephone, car, etc. In 2015, the aggregate remuneration of the Executive Board was DKK 5.4 million against DKK 5.6 million the year before. 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 in connection with a takeover of SP Group

(by merger or other combination), the Company will not be obliged to pay any further severance pay.

Members of the Executive Board are not eligible for any short-term incentive schemes such as bonus schemes. However, SP Group has set up long-term incentive schemes.

In 2011, the Board of Directors issued 100,000 warrants to the Executive Board and executive officers in the Group. Frank Gad received 20,000 warrants, and Jørgen Nielsen received 10,000 warrants. The remaining 70,000 warrants were distributed between 21 executive officers. The issued warrants can be exercised to purchase shares in the period 1 April 2014 to 31 March 2017; 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 100 based on the listed price immediately before and after the publication of the annual report on 30 March 2011. Moreover, 7.5% per annum is added, counted from 1 April 2011 and until the warrants can be exercised at the earliest. The programme will not represent a value to the executive officers until the shareholders have noted increasing share prices. The grant in 2011 was made based on the mandate granted to the Board of Directors by the company in general meeting in 2010. All warrants under the 2011 programme are hedged by means of treasury shares. Both Frank Gad and Jørgen Nielsen exercised their warrants in 2014. So did most of the other executive officers. The remaining executive officers exercised their warrants in 2015. At year-end 2015, there were no outstanding warrants under the 2011 programme.

In 2012, the Board of Directors issued 100,000 warrants to the Executive Board and executives in the Group. Frank Gad received 20,000 warrants, and Jørgen Nielsen received 10,000 warrants. The remaining 70,000 warrants were distributed between 22 executive officers. The issued warrants can be exercised to subscribe for shares in the period 1 April 2015 to 31 March 2018; 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 120 based on the listed price immediately before and after the publication of the annual report on 28 March 2012. Moreover, an addition of 7.5% per annum is added calculated from 1 April 2012 and until the warrants can be exercised at the earliest. The programme will not represent a value to the executives until the shareholders have ascertained increasing share prices. The grant in 2012 was made based on the mandate granted to the Board of Directors by the company in general meeting in 2011. Only 98,612 of the 100,000 warrants issued have vested or been purchased. Both Frank Gad and Jørgen Nielsen exercised their warrants in 2015. So did most of the other executives. At year-end 2015, 19,150 warrants under the 2012 programme were outstanding. All warrants are hedged by means of treasury shares.

In 2013, the Board of Directors issued 100,000 warrants to the Executive Board and executive officers in the Group. Frank Gad received 17,000 warrants, and Jørgen Nielsen received 8,000 warrants. The remaining 75,000 warrants were distributed between 23 executive officers. The issued warrants can be exercised to subscribe for shares in the period 1 April 2016 to 31 March 2019; 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 145 based on the listed price immediately before and after the publication of the annual report on 22 March 2013. Moreover, an addition of 7.5% per annum is added calculated from 1 April 2013 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 2013 was made based on the mandate granted to the Board of Directors by the company in general meeting in 2013. Only 96,334 of the 100,000 warrants issued



For Randers+Radius, Tinby casts seats and backs for this DRY chair

have vested or been purchased. Approx. 15% of the warrants are currently hedged by treasury shares.

In 2014, the Board of Directors issued 50,000 warrants to the Executive Board and executives in the Group. Frank Gad received 6,000 warrants, and Jørgen Nielsen received 4,000 warrants. The remaining 40,000 warrants were distributed between 25 executives. The issued warrants can be exercised to subscribe for shares in the period 1 April 2017 to 31 March 2020; 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 280 based on the listed price immediately before the publication of the annual report on 27 March 2014 and up to 29 April 2014. Moreover, an addition of 7.5% per annum is added calculated from 1 April 2014 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 2014 was made based on the mandate granted to the Board of Directors by the company in general meeting in 2013.

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 to 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% per annum is added calculated from 1 April 2015 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 2015 was made based on the mandate granted to the Board of Directors by the company in general meeting in 2013.

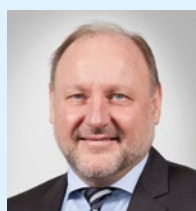
The Board of Directors believes that share-based arrangements are necessary to ensure that SP Group will be able to attract and retain qualified executive officers and other key personnel. The Board of Directors wishes to tie the executive officers closer to the Group, reward them for their contribution to the long-term value creation and establish that executive officers and shareholders have a common interest in increasing share prices.

SP Group's programmes so far have all been multi-annual programmes to promote long-term 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.

## Directorships in Danish and foreign companies, etc., at 1 March 2016



**Niels Kristian Agner,**  
Director, Værløse, born in 1943.  
Member and Chairman of the Board of Directors since 1995.  
Directors' fee: DKK 400,000.  
No. of shares: 47,450 personally owned (+17,725) and 0 through his own company (-15,100).  
Other directorships: Pigro Management ApS (D), D. F. Holding, Skive A/S (BF), Aktieselskabet Schouw & Co. (BM), G.E.C. Gads Forlag Aktieselskab af 1994 (BM), C. E. Gads Fond (commissioned), Direktør Hans Hornsyld og Hustru Eva Hornsylds Legat (BM), Direktør Svend Hornsylds Legat (BM) Fonden LDE 2 GP (BM), Fonden LDE 3 GP (BM), Fonden MIFIF II GP (BM), SP Moulding A/S (BF) and Fonden Maj Invest Equity General Partner (BM).



**Erik Preben Holm,**  
CEO, Hellerup, born in 1960.  
Member of the Board of Directors since 1997, Deputy Chairman.  
Directors' fee: DKK 250,000.  
No. of shares: 33,500 personally owned (+1,750).  
Other directorships: KK-Group A/S (BF), Vernal A/S (BF), Sticks 'N' Sushi A/S (BF), Sticks 'N' Sushi Holding A/S (BF), Vega Sea A/S (BF), Arvid Nilssons Fond (NF), SP Moulding A/S (NF), AO Invest A/S (BM), Brødrene A & O Johansen A/S (BM), Fonden Maj Invest Equity General Partner (BM), Maj Invest Equity A/S (BM), Muuto A/S (BM), Muuto Holding A/S (BM), Erik Holm Holding ApS (D), Fondsmæglerselskabet Maj Invest A/S (D), Maj Invest Equity A/S (D), Interbuild ApS (D), LDE Holding 24 ApS (KK-Group) (D), LD Equity 1 K/S (MI), LD Equity 2 K/S (MI), LD Equity 3 K/S (MI), Maj Invest Equity 4 K/S (MI), LD Invest Vietnam K/S (MI) og Maj Invest Equity Southeast Asia II K/S (MI).



**Hans Wilhelm Schur,**  
CEO, Horsens, born in 1951.  
Member of the Board of Directors since 1999.  
Directors' fee: DKK 200,000.  
No. of shares: 0 personally owned and related parties 508,271 (+80,900).  
Other directorships: Dansk Industri, Horsens (BM), Danmarks Industrimuseum (BF), Konsul Axel Schur og Hus-trus Fond (BF), Schur International a/s (D and BM), Schur International Holding a/s (D and BM), Schur Finance a/s (BF), Schur Consumer Products Inc. (BF), International Packaging Group (BF), Conflex Packaging GmbH (BM), SP Moulding A/S (BM) and Dit Pulterkammer A/S (BM).



**Erik Christensen,**  
Director, Vejle, born in 1937.  
Member of the Board of Directors since 2002.  
No. of shares: 18,787 personally owned (+787) and 33,313 (+1,313) through his own company. Related party: 69,938 (+3,938).  
Directors' fee: DKK 200,000.  
Other directorships: Nagel Danmark A/S (BM), Andresen Invest A/S (BF), B. Christiansen Holding A/S (BM), Ejen-domsselskabet af 1. oktober 1999 A/S (BM), K. Christiansen Holding A/S (BM), Luise Andresens Fond (BF), Nic. Christiansen Holding A/S (BF), Nic. Christiansen Import A/S (BF), Nic. Christiansen Invest A/S (BM), Schur International Holding A/S (BM), SP Moulding A/S (BM), NCG Retail A/S (BM), Ferrum Holding A/S (BF), Ferrum A/S (BF), Innovest ApS (BM), Pizzaflex ApS (BM), Novopack ApS (BM) and Chriscom ApS (D).



**Hans-Henrik Eriksen,**  
CEO, Risskov, born in 1960.  
Member of the Board of Directors since 2013.  
Directors' fee: DKK 250,000.  
No. of shares: 2,375 personally owned (+875).  
Other directorships: Digi Kiosk ApS (BF), Lysholt Erhverv A/S (NF), Buen 1 ApS (NF), L E 2 ApS (NF), Exact Brazil A/S (BM), Green Tech Center A/S (BM), Cardlab ApS (BM), Cardlab Innovation ApS (BM), Liplasome Pharma ApS (BM), Bagger-Sørensen Fonden (BM), SP Moulding A/S (BM), Limb Holding A/S (BF), Limb Finance ApS (BF), Limb Holding Ltd. (BM), Michael Limb Holdings Ltd. (BM), High Firs Investment Company Ltd. (BM), Random Wood Investment Company Ltd. (BM), Random Wood Investment Company Ltd. (BM), Green Tech Houses ApS (BM), Food Innovation House ApS (BF), Jabami ApS (BF), Navest A/S (BF), Ejendomsanpartsselskabet MT 04 (BF) Colombus E. ApS (BM), Coffee Brewer Nordic A/S (BM), Bricks A/S (BM), Bricks Ejendomme A/S (BM), Strandvejen 201 Holding A/S (BM), Strandvejen 201 A/S (BM), Ejendomselskabet SF44 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 (D), 4 Best Invest ApS (D), Arcedi Biotech ApS (BM), Tina Holding ApS (D), J-Flight ApS (D), Idekra IVS (D) and SoLoCa IVS (D).

BF = Chairman of the Board of Directors  
NF = Deputy Chairman  
MI = member of the investment committee

D = Director  
BM = board member

## 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 lie 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 monitors on an ongoing basis 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.

### 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.

## Executive Board



### Frank Gad, CEO

Born in 1960, MSc in Economics and Business Administration, Frederiksberg. Salary in 2015: DKK 3.6 million and a car. Share-based salary in 2015: DKK 0\*. 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 of 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 (1985-1999), Executive Vice President at the time of resignation.

External directorships: Director of Frank Gad ApS, Gadplast ApS and Gadmol ApS. Shares in SP Group: 89,966 personally owned (-14,000) and 288,273 (+54,000) through his own company. Related parties: 3,990 (0).

\* Assessed according to the Black Scholes formula at the grant date.



### Jørgen Hønerup Nielsen, CFO

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

Salary in 2015: DKK 1.6 million and a car.

Share-based salary in 2015: DKK 25,267\*.

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: 27,200 personally owned (+5,000).

\* Assessed according to Black Scholes at the grant date.

## Management team

Other executive officers of SP Group are:

**Jens Hinke**, Director of R&D in SP Group A/S, and Managing Director of Acccoat A/S until August 2015

**Mads Juhl**, Managing Director of Acccoat A/S from 1 August 2015

**Lars Ravn Bering**, Managing Director of Gibo Plast A/S

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

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

**Jeroen van der Heijden**, Chairman, TPI Polytechniek B.V., the Netherlands

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

**Claus Lendal**, Managing Director of Ergomat A/S

**David Bourghardt**, Managing Director of Brøderna Bourghardt AB, Sweden

**Søren Ulstrup**, CEO, Ulstrup Plast A/S. From 1 July, under the auspices of SP Group A/S

**Kenny Rosendahl**, Director 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

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

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

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

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

**April Zhu**, Plant Manager, Tinby Co. Ltd., China

**Erik Kjellner**, Managing Director of SP Extrusion A/S

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

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

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

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

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

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

## Audit Committee

The duties of the Audit Committee are attended to by all members of the Board of Directors. Hans-Henrik Eriksen is independent member with accounting and audit qualifications. Hans-Henrik Eriksen is Chairman of the Audit Committee and state authorised public accountant.

## Auditors

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 auditors are representatives of the general public. The auditors prepare long-form audit reports to the collective Board of Directors at least twice a year and also immediately after identifying any matters which 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 auditors' independence, competences, etc.

All significant subsidiaries are audited by the Company's auditors or by their foreign co-operative partners.

## Ownership interests at 1 March 2016:

Board of Directors and Executive Board:	Private	Own company	Related parties	Total	% of share capital
Niels Kristian Agner	47,450			47,450	2.1
Erik Preben Holm	33,500			33,500	1.5
Hans Wilhelm Schur			508,271	508,271	22.9
Erik Christensen	18,787	33,313	69,938	122,038	5.5
Hans-Henrik Eriksen	2,375			2,375	0.1
Frank Gad	89,966	288,273	3,990	382,229	17.2
Jørgen Nielsen	27,200			27,200	1.2
	<b>219,278</b>	<b>321,586</b>	<b>582,199</b>	<b>1,123,063</b>	<b>50.5</b>