

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 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 2013 (last updated in 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 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:

SP Group has not set any mandatory retirement age for 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. 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.

Gibo Plast, Tinby and Brdr. Bourghardt participated with an exhibit at the WindEnergy fair in Hamburg in September 2017. The picture shows Managing Director David Bourghardt and Sales and Project Manager Michael Vinbech Therkelsen.



Duties of the Board of Directors

In 2017, the Board of Directors held 13 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 "Strategic development 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 2018. 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 opera-

Sales Manager Henrik Østrup, Gibo Plast



ting 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.

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.

All five board members accepts renomination at the annual general meeting in 2018. Niels Kristian Agner will turn 75 this year and wants to pass on the chairman position after 23 years. Provided that the Board of Directors is re-elected, it will appoint Hans W. Schur as its chairman and Erik P. Holm as its deputy chairman after the annual general meeting.

Hans-Henrik Eriksen will continue as chairman of the Audit Committee.

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 ordinary remuneration determined by the annual general meeting. At the general meeting in 2017, the Board of Directors will propose that directors' fees for 2017 should be increased to DKK 450,000 for the chairman, DKK 275,000 for the deputy chairman and DKK 225,000 for other board members. Directors' fees were most recently adjusted with effect for 2012. 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 2018, 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 2017, the total remuneration for the Executive Board was DKK 6.8 million against DKK 5.8 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'

Management remuneration

DKK'000	Remuneration	Membership of committees	Bonus	Company car	Pension *)	Share-based payment **)	Total
2017							
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
	6,770	50	1,200	258	0	0	8,278
2016							
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
	6,386	50	400	255	0	0	7,091

*) 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 2018



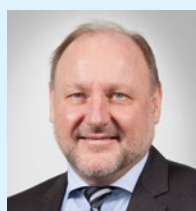
Niels Kristian Agner,

Director, Værløse, born 1943.
Member and Chairman of the Board of Directors since 1995.
No. of shares: 28,000 personally owned (-5,667) and 0 through his own company (0).
Other directorships: Pigro Management ApS (D), Aktieselskabet Schouw & Co. (BM), G.E.C. Gads Forlag Aktieselskab af 1994 (BM), G. E. C. 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) and SP Moulding A/S (BF), Fonden Maj Invest Equity General Partner (BM), Fonden MIE 5 GP (BM).



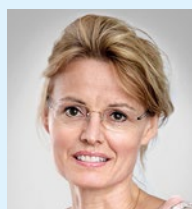
Hans-Henrik Eriksen,

CEO, Risskov, born 1960.
Member of the Board of Directors since 2013.
No. of shares: 3,500 personally owned (0) and 500 through his own company (+500).
Other directorships: Digi Kiosk ApS (BF), Advice House 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), Jabami ApS (BF), Navest A/S (BF), Ejendomsanpartsselskabet MT 04 (BF), Bricks A/S (BM), Bricks Ejendomme A/S (BM), Ejendomselskabet SF44 A/S (NF), Nicolinehus A/S (BM), TAB LABS Ltd. (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), Liposome 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 Holding ApS (D), Chew Invest ApS (D), Vissing Holding A/S (BF), Vikan A/S (BM), Vissing Fonden (BM), CCC3 Holding (D), Vejle Centrum ApS (D) (BM), Flex Funding A/S (BM).



Erik Preben Holm,

CEO, Hellerup, born 1960.
Member of the Board of Directors since 1997.
Deputy Chairman.
No. of shares: 12,832 personally owned (-6,000)
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), 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), 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), Maj Invest Equity 5 K/S (MI), Maj Invest Equity Vietnam I K/S, Maj Invest Equity Southeast Asia II K/S (MI).



Bente Overgaard,

MSc Political Science, Hellerup, born 1964.
Member of the Board of Directors since 2017.
No. of shares: 760 personally owned (+760)
Other directorships: Den Danske Naturfond (NF), Finansiell Stabilitet (BM), Energinet.dk (BM), Royal Arena (BM), Overgaard Advisory (D), CBS Bestyrelsesuddannelsen til bank/realcredit samt pension/forsikring (Programme director).



Hans Wilhelm Schur,

CEO, Horsens, born 1951.
Member of the Board of Directors since 1999.
No. of shares: 0 personally owned and close family 466,938 (-10,000).
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 (BM) and Dit Pulterkammer A/S (BM).

BF = Chairman of the Board
BM = Board member

D = Director
NF = Deputy Chairman
MI = Member of investment committee

notice to CFO Jørgen Hønnerup Nielsen. If the members of the Executive Board are dismissed in connection with a takeover of SP Group (including a merger or other combination), the Company will not be obligated to pay special severance pay.

Members of the Executive Board are not eligible for any short-term incentive schemes such as bonus schemes, but the Board of Directors has decided to distribute discretionary bonuses in 2016 and 2017. However, SP Group has set up long-term incentive schemes.

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 26 executives. The issued warrants can be exercised to subscribe for shares in the period 1 April 2017 – 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% p.a. 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. At year end 2017, 7,000 warrants under the 2014 programme were outstanding. All warrants are presently hedged by means of treasury shares.

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 war-

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 of SP Group.

Previous employment: CEO of FLSmidth A/S (1999-2004), President of Mærsk Container Industri A/S (1996-1999) and employment at Odense Steel Shipyard Ltd. (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: 89,966 personally owned (0) and 271,168 (-6,105) through his own company. Related party 3,990 (0).



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: 26,995 personally owned (+300).

rants, 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 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. All warrants are hedged by means of treasury shares.

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

Jeroen van der Heijden, Chairman, TPI Polytechniek B.V., the Netherlands until 31 March 2018

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

Claus Lendal, CEO of Ergomat A/S

David Bourghardt, CEO 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

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

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 Staszczuk, Plant Manager, Ergomat Sp. z o.o., Poland

Kim Holm Hansen, Director, Tinby Skumplast A/S

In 2016, the Board of Directors issued 59,000 warrants to the Executive Board and executive officers in the Group. Frank Gad received 6,000 warrants, and Jørgen Nielsen received 4,000 warrants. The remaining 49,000 warrants were distributed between 29 executives. The 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.