

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 customers, shareholders, 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 December 2020 based on the "comply or explain" principle. At <https://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 2022" 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 2021, the Board of Directors held 10 meetings, two of which focused on strategy and budgets, respectively. At the strategy meeting in December, the Board of Directors also discussed business risks and the management of such risks at group level. Once a year, the Board of Directors determines the framework for managing interest rate, credit and currency risks and risks related to raw materials and energy prices, and the Board of Directors follows up on the implementation of this framework on an ongoing basis. Discussion and revision of the rules of procedure are routine at the board meeting in June. All board members attend to the functions of the Audit Committee. Separate meetings in the Audit Committee are held in connection with board meetings.

The Board of Directors regularly assesses the Group's financial position, goals, dividend policy and share structure. The dividend policy is specified in the "Shareholder information" section, and the financial goals are specified in the "Going towards 2024" 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 2022. 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 general meeting, Hans-Henrik Eriksen and Bente Overgaard are considered independent in accordance with the criteria defined by the Committee on Corporate Governance. The other two board members have been members of the Board of Directors for more than 12 years.

Half the members of the Board of Directors are thus independent.

The Board of Directors appointed Hans W. Schur as its chair and Erik P. Holm as its deputy chair after the annual general meeting.

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

All four board members accept renomination at the annual general meeting in 2022.

Provided that the Board of Directors is re-elected at the annual general meeting in 2022, its composition and structure will remain unchanged.

At the annual general meeting in 2020, Niels Kristian Agner retired after 25 years' committed and competent effort as board member, of which 23 years as chair.

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

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

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

At the end of April 2020, CFO Jørgen Nielsen resigned after 33 years' committed and competent effort.

The Board of Directors appointed Søren Ulstrup and Lars Ravn Bering as executive vice presidents and Tilde Kejlhof as Group CFO.

As from 1 May 2020, Group Management comprises Frank Gad, CEO, Søren Ulstrup, Executive Vice President, Lars Ravn Bering, Executive Vice President, and Tilde Kejlhof, Group CFO.

Remuneration of Management

The Company's remuneration policy has been approved by the general meeting, most recently in 2020.

The Board of Directors has no incentive programmes but receives ordinary remuneration determined by the annual general meeting. As announced at the general meeting in 2021, the Board of Directors proposed that directors' fees for 2021 should be changed to DKK 600,000 for the chairman, DKK 350,000 for the deputy chairman and DKK 300,000 for other board members. Moreover, the chair of the Audit Committee should receive a separate fee of DKK 50,000 in addition to the directors' remuneration. 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 2022, it is proposed to maintain the remuneration at DKK 600,000 for the chair, to DKK 350,000 for the deputy chair and to DKK 300,000 for other board members. The separate fee for the chair of the Audit Committee will remain DKK 50,000.

Remuneration of the Executive Board is negotiated by the chairman and adopted by the Board of Directors. Remuneration comprises a basic rate and usual services such as company-paid telephone, company car, etc. Remuneration of the Executive Board totalled DKK 11.1 million in 2021 against DKK 7.7 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 Executive Vice President Søren Ulstrup and Executive Vice President Lars Ravn Bering. If the members of the Executive Board are dismissed, the Company is not obligated to pay special severance pay.

Members of the Executive Board are not eligible for any short-term incentive schemes such as bonus schemes, but the Board of Directors has decided to distribute discretionary bonuses in 2017, 2018, 2019 and 2021. No bonus was paid to the Executive Board in 2020.

However, SP Group has set up long-term incentive programmes.

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

end 2021, 1,307 warrants under the 2016 programme were outstanding, corresponding to 6,535 shares after share split. All warrants are hedged by means of treasury shares.

In 2017, the Board of Directors issued 70,000 warrants to the Executive Board and executive officers in the Group. Frank Gad received 6,000 warrants, and Jørgen Nielsen received 4,000 warrants. The remaining 60,000 warrants were distributed between 37 executives. The warrants issued 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. At year end 2021, 4,640 warrants under the 2017 programme were outstanding, corresponding to 23,200 shares after share split. All warrants are hedged by means of treasury shares.

In 2018, the Board of Directors issued 41,500 warrants to the Executive Board and executive officers in the Group. Frank Gad received 3,000 warrants, and Jørgen Nielsen received 2,000 warrants. The remaining 36,500 warrants were distributed between 41 executives. The issued warrants can be exercised to subscribe for shares in the period 1 April 2021 – 31 March 2024; however, exercise can only take place during the first two weeks in those periods where Management is allowed to trade the Company's shares in accordance with the Company's internal rules. The exercise price is fixed at DKK 1,250 based on the listed price immediately before 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. At year end 2021, 18,329 warrants under the 2018 programme were outstanding, corresponding to 91,645 shares after share split. All warrants are hedged by means of treasury shares.

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

In 2019, the Board of Directors issued 240,000 warrants to the Executive Board and executive officers in the Group. Frank Gad received 15,000 warrants, and Jørgen Nielsen received 15,000 warrants. The remaining 210,000 warrants were distributed between 42 executives. The warrants issued can be exercised to subscribe for shares in the period 1 April 2022 – 31 March 2025; however, exercise can only take place during the first two weeks in

(continues on page 38)

TPI Polytechnik's booth at IPPE fair in Atlanta, January 2022



Management remuneration

DKK '000	Remuneration	Remuneration, committee members	Bonus	Company car	Pension*)	Share-based payment**)	Total
2021							
Hans Wilhelm Schur	600	0	0	0	0	0	600
Erik Preben Holm	350	0	0	0	0	0	350
Hans-Henrik Eriksen	300	50	0	0	0	0	350
Bente Overgaard	300	0	0	0	0	0	300
Frank Gad	4,200	0	1,000	198	0	110	5,508
Søren Ulstrup	2,040	0	500	127	0	110	2,777
Lars Ravn Bering	2,040	0	500	131	0	110	2,781
	9,830	50	2,000	456	0	330	12,666
2020							
Hans Wilhelm Schur	450	0	0	0	0	0	450
Erik Preben Holm	275	0	0	0	0	0	275
Niels Kristian Agner	188	0	0	0	0	0	188
Hans-Henrik Eriksen	225	50	0	0	0	0	275
Bente Overgaard	225	0	0	0	0	0	225
Frank Gad	4200	0	0	197	0	0	4,397
Jørgen Hønnerup Nielsen 1/1-30/4 2020	567	0	0	22	0	0	589
Søren Ulstrup 1/5-31/12 2020	1,280	0	0	99	0	0	1,379
Lars Ravn Bering 1/5-31/12 2020	1,280	0	0	87	0	0	1,367
	8,690	50	0	405	0	0	9,145
2019							
Hans Wilhelm Schur	450	0	0	0	0	0	450
Erik Preben Holm	275	0	0	0	0	0	275
Niels Kristian Agner	225	0	0	0	0	0	225
Hans-Henrik Eriksen	225	50	0	0	0	0	275
Bente Overgaard	225	0	0	0	0	0	225
Frank Gad	4,200	0	1,000	126	0	0	5,326
Jørgen Hønnerup Nielsen	1,700	0	200	77	0	0	1,977
	7,300	50	1,200	203	0	0	8,753
2018							
Hans Wilhelm Schur	375	0	0	0	0	0	375
Erik Preben Holm	275	0	0	0	0	0	275
Niels Kristian Agner	300	0	0	0	0	0	300
Hans-Henrik Eriksen	225	50	0	0	0	0	275
Bente Overgaard	225	0	0	0	0	0	225
Frank Gad	4,000	0	1,000	119	0	0	5,119
Jørgen Hønnerup Nielsen	1,650	0	200	102	0	0	1,952
	7,050	50	1,200	221	0	0	8,521
2017							
Niels Kristian Agner	450	0	0	0	0	0	450
Erik Preben Holm	275	0	0	0	0	0	275
Hans Wilhelm Schur	225	0	0	0	0	0	225
Hans-Henrik Eriksen	225	50	0	0	0	0	275
Erik Christensen	75	0	0	0	0	0	75
Bente Overgaard	150	0	0	0	0	0	150
Frank Gad	3,780	0	1,000	141	0	0	4,921
Jørgen Hønnerup Nielsen	1,590	0	200	117	0	0	1,907
	6,770	50	1,200	258	0	0	8,278

*) Members of the Executive Board make pension contributions themselves

**) Members of the Executive Board chose to acquire their warrants against cash payment up to and including 2019

Further details on CEO pay ratio on page 62.

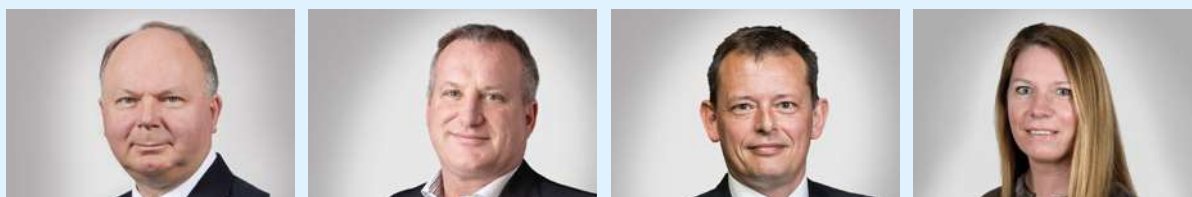
Directorships in Danish and foreign companies, etc., at 1 March 2022



	Hans Wilhelm Schur	Erik Preben Holm	Hans-Henrik Eriksen	Bente Overgaard
Title	CEO	MSc Economics & Business Administration, CEO	MSc Economics & Business Administration, CEO	MSc Political Science
Member of the Board of Directors	Member of the Board of Directors since 1999 and chair since April 2018	Member of the Board of Directors since 1997, deputy chair	Member of the Board of Directors since 2013. Chair of the Audit Committee	Member of the Board of Directors since 2017
Residence and year of birth	Horsens, born in 1951	Hellerup, born in 1960	Risskov, born in 1960	Hellerup, born in 1964
Gender and nationality	Male, Danish citizen	Male, Danish citizen	Male, Danish citizen	Female, Danish citizen
Independence	Not independent	Not independent	Independent	Independent
Other directorships	Danmarks Industrimuseum (BF), Konsul Axel Schur og Hustrus Fond (BF), 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 And BM), Schur International a/s (BM), Schur Pack Denmark a/s (BF), Schur Pack Sweden AB (BF), Schur Pack Germany GmbH (BF), Schur Technology a/s (BF), Schur Star Systems GmbH (BF), Schur Star Systems Inc. (BF), Schur Star Systems Australia Pty. Ltd. (BF), Schur Conference Center (D og BM), Schur Labels a/s (BF).	Sovino Brands Holding ApS (BF), Sovino Brands ApS (BF), Sovino Administration ApS (BF), Ferm Living ApS (BF), Sticks 'N' Sushi UK Ltd., Great Britain (BF), ScanCom Nternational A/S (BF), Hotel Koldingfjord A/S (BF), ScanCom International A/S (BF), Arvid Nielssons Fond (NF), Sticks 'N' Sushi Holding A/S (BM), Sticks 'N' Sushi A/S (BM), AO Invest A/S (BM), Brødrene A & O Johansen A/S (BM), Wendelbo Møbel Design A/S (BM), Wendelbo Interiors A/S (BM), Genan Holding A/S (BM).	Vissing Fonden (BF), Ovenvande Skanderborg ApS (BF), Advice House A/S (BF), Vikan A/S (NF), Exact Brazil A/S (BM), EB Præference A/S (BM), Green Tech Center A/S (BF), Green Tech Houses ApS (BF), Green Tech Group A/S (BF), Food Innovation House ApS (BF), Food Innovation Group ApS (BF), Food Innovation Center ApS (BF), Bagger-Sørensen Fonden (D) (BM), Limb Holding Ltd. (BM), Michael Limb Holdings Ltd. (BM), Jamabi ApS (BM), Jamabi PE ApS (BM), Ejendomsanpartsselskabet MT 04 (BM), Bricks A/S (BM), Bricks Development A/S (BF), Bricks Ejendomme A/S (BM), Ejendoms-selskabet SF44 A/S (NF), Nicolinehus A/S (BM), Arcedi Biotech ApS (BM), AI Innovation Center A/S (BF), Bagger-Sørensen & Co. A/S (D), Bagger-Sørensen Invest A/S (D), Bagger-Sørensen Equity A/S (BM), Vecata Ejendomme A/S (D), Vecata Invest A/S (D), Liposome Pharma ApS (BM og D), 4 Best Invest ApS (D), J-Flight ApS (D), Idekra ApS (D), SoLoCa ApS (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), Tablet 1 ApS (BM), BS HQ ApS (D), Tablet 2 ApS (BM), Tablet 3 ApS (BM), Tablet 4 ApS (BM).	Holberg Fenger Holding ApS (BF), AES Erhvervsikring (BF), Den Danske Naturfond (NF), Johannes Fogs Fond (BM), Jyske Bank (BM), MovieStarPlanet (BM), Programdirektør CBS Bestyrelsesuddannelserne, Overgaard Advisory (D).
Special skills	Comprehensive management and board experience in international businesses within plastics and packaging industries.	Comprehensive management and board experience in international businesses within various industries and from listed Danish companies. Comprehensive experience with acquisition and disposal of entities.	Broad experience in finance and accounting practice as well as auditing and investments. state authorised public accountant.	Managerial background and comprehensive experience from the finance sector in connection with financial, HR and IT matters as well as ESG.
Attendance	100%	100%	100%	100%
No. of shares	0 personally owned and 1,896,110 (-190,000) through related parties.	64,160 personally owned (0) and 5,714 through his own company (0).	17,500 personally owned (0) and 4,279 through his own company (0).	6,465 personally owned (0), 1,461 through his own company (0) and 113 through related parties (0).

BF = Chair of the Board D = Director NF = Deputy Chair BM = Board member MI = Member of investment committee

Executive Board and Group Management



	Frank Gad	Søren Ulstrup	Lars Ravn Bering	Tilde Kejlhof
Title	CEO	Executive Vice President	Executive Vice President	Group CFO
Education	MSc Economics & Business Administration	Plastic engineer	MSc Engineering and B.Com.in Supply Chain	Master of Economics
Employed since	Frank Gad took up his position as CEO in November 2004 and is also chair of the Boards of Directors of the most significant subsidiaries in SP Group.	2015 – was appointed to the Executive Board in 2020. Also CEO of SP Moulding and Ulstrup Plast, also chair of the board in Coreplast and member of other Boards of Directors in the subsidiaries.	2008 – was appointed to the Executive Board in 2020. Also CEO of Gibo Plast A/S and Dan-Hill-Plast A/S and responsible for Group IT.	In SP Group since 2016 – CFO from 2020. Employed in the subsidiary MedioPack from 2009-2019 as CFO.
Residence and year of birth	Frederiksberg, born in 1960	Holte, born in 1966	Silkeborg, born in 1976	Odense, born in 1978
Gender and nationality	Male, Danish citizen	Male, Danish citizen	Male, Danish citizen	Female, Danish citizen
External directorships	Director of Frank Gad ApS, Gadinvest A/S, Gadplast ApS and Gadmol ApS. Investeringsselskabet Damhaven A/S (BF).	Chair of the Danish Plastics Federation, chair of Ad-Client A/S, chair of Ulstrup Invest ApS, chair of the Executive Committee of DI, member of the Central Board of DI, board member of Roll-o-matic A/S, board member of LBT Ejendomme and Lynge Uggeløse Brugsforening – also director of Søren Ulstrup Invest ApS.	None.	None.
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.	CEO of Ulstrup Plast A/S since 1993.	Nilfisk: 2016-2017, Gibo Plast: 2011-2016, Vestas: 2011 Gibo Plast: 2007-2011, Dansac: 2004-2007	Harald Halberg Holding 2006-2009. Employed in the subsidiary MedioPack from 2009-2019 as CFO.
Attendance	100%	90%	100%	100%
No. of warrants	22,500	22,500	22,500	10,000
No. of shares	133,830 personally owned (-40,000) and 279 (-80,000) held through own company. Related parties 1,293,500 (-55,000).*	Shares in SP Group: 29,831 personally owned (+7,331) and 172,094 through related parties (-62,187).	Shares in SP Group: 6,725 personally owned (-10,100) and 15,405 through related parties (+15,405).	3,000 personally owned (+1,500).

* Frank Gad's shares (personally owned and related parties) account for 11.4% of the shares issued in SP Group. If warrants are included, the holding accounts for 11.6% of the shares issued.

Other executive officers in SP Group

Claus Lendal, CEO of Ergomat A/S

Susie-Ann Spiegelhauer, CEO, Accoat A/S

Michael Vinbeck Therkelsen, Managing Director, Tinby A/S and CEO of MM Composite A/S (from 01.08.2021).

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

David Bourghardt, Managing Director, Brdr. Bourghardt AB, Sweden

Torben Bruhn, CEO of MedicoPack A/S

Arild S. Johnsen, CEO of Plexx AS, Norway

Andreas Lagestig, CEO of Opido AB and Nycopac AB (since 01.08.2021), Sweden

Kent Bøllingtoft Madsen, CEO of MM Composite A/S (until 31.07.2021)

Mikko Toivonen, CEO of Coreplast Laitila Oy, Finland

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

Mia Mørk, Executive Assistant, SP Group A/S

Mogens Laigaard, Director of SP Medical A/S

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

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

Rafal Szefer, Managing Director, SP Medical Sp. z o.o., Poland

Anie Simard, Vice President, Ergomat Inc., USA

Monika Karczewska, Managing Director, SP Moulding Sp. z o.o., Poland

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

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

Przemysław Tuzikiewicz, Managing Director, Tinby Sp. z o.o., Poland

Anna Szymczak, CFO, SP Group's Polish companies

Izabela Filipiak, Plant Director, Ergomat Sp. z o.o., Poland

Kim Holm Hansen, Director, Tinby Skumplast A/S (until 31.07.2021)

Gusten Bergmark, Managing Director, Nycopac AB, Sweden (until 31.07.2021)

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

Jens Møller and **Peder Hyldegaard**, Managing Directors, Kodań Plast s.r.o., Slovakia

Li Chao, Plant Manager, Gibo Plast Co., Ltd., China

Heine Andersen, IT Security Manager, SP Group A/S

Lotte Burmølle Andersen, ESG Manager, SP Group A/S (from 15.08.2021)

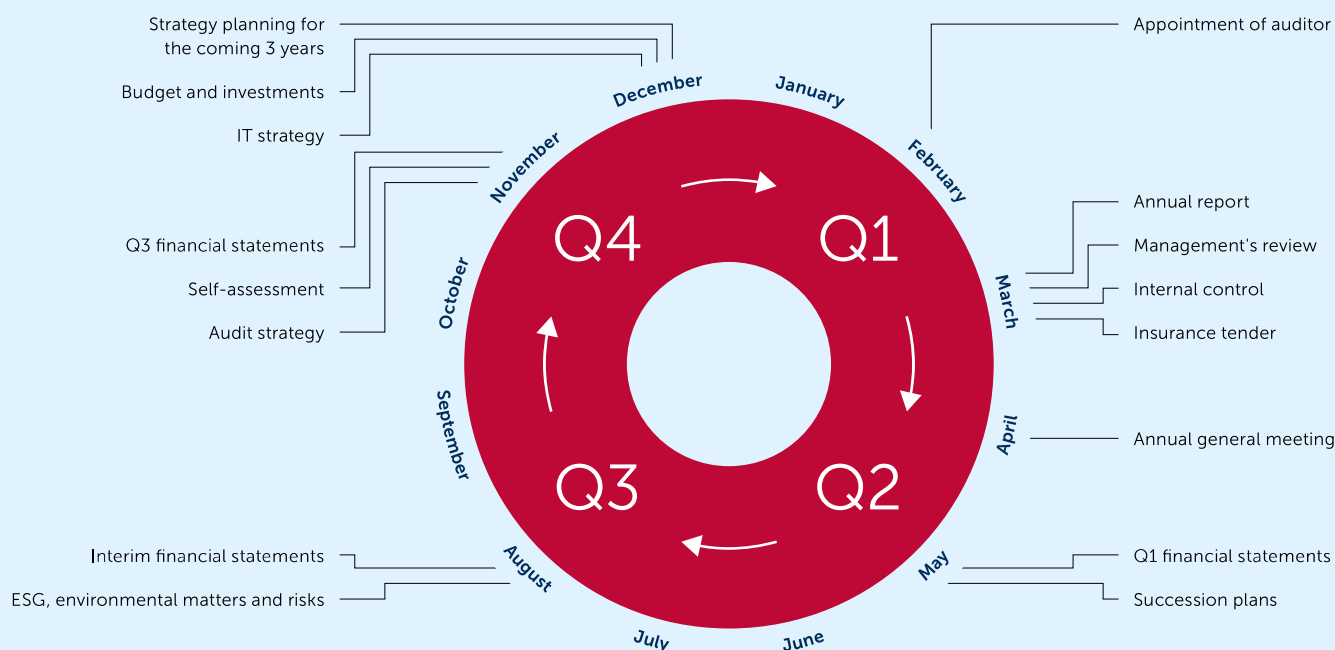
Aimo Jollman, CEO, Jollmax Coating Oy, Finland (in SP Group from 18.02.2021)

Laila Ertman Lundsgaard, CEO, Neptun Plast A/S, Denmark (in SP Group from 14.07.2021)

Cecilie Ertman Lundsgaard, Director, Atlantic Floats Denmark A/S, Denmark (in SP Group from 14.07.2021)

SP Group's annual wheel

The Board of Directors in SP Group A/S is responsible for strategic management focusing on ensuring value creation in the Group



those periods where Management is allowed to trade the Company's shares in accordance with the Company's internal rules. The exercise price is fixed at DKK 210.00 based on the listed price immediately before the publication of the annual report on 27 March 2019. Moreover, an addition of 7.5% p.a. is added calculated from 1 April 2019 and until the warrants are exercised. The programme will not represent a value to the executives until the shareholders have ascertained increasing share prices. The grant in 2019 was made based on the mandate granted to the Board of Directors by the company in general meeting on 28 April 2016. All warrants are partially hedged by means of treasury shares.

The Board of Directors issued no warrants in 2020.

In 2021, the Board of Directors issued 108,750 warrants to the Executive Board and executive officers in the Group. Frank Gad, Søren Ulstrup and Jørgen Nielsen received 7,500 warrants each. The remaining 86,250 warrants were distributed between 41 executives. The warrants issued can be exercised to subscribe for shares in the period 1 April 2024 – 31 March 2027; 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 400.00 per share of nominally DKK 2 plus 7.5% per annum, calculated from 1 April 2021 and until the warrants are in fact exercised. The exercise price is fixed based on market conditions on 25 March 2021. The programme will not represent a value to the executives until the shareholders have ascertained increasing share prices. The grant in 2021 was made based on the mandate granted to the Board of Directors by the company in general meeting on 29 April 2019.

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 2024" section on page 12.

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

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

Financial reporting process

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

Control environment

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



In June 2021, SP Group co-founded Juelsmindehalvøens Solar A/S together with Palsgaard®, JUAL Group and Aarstiderne. From 2024, the solar farm is expected to generate 60 million kWh green power to the companies per year. SP Group is to take 30 million kWh of the output covering our entire power consumption in Denmark

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 programme

SP Group and all its subsidiaries strive for a business environment that promotes and upholds a high degree of integrity and responsibility.

Accordingly, the Company has established a whistle-blower programme that allows anyone with affiliations to SP Group to safely report suspected non-compliance with SP Group's policies and guidelines, laws and regulations as well as other serious irregularities.

Matters can be reported to the whistle-blower programme by sending an e-mail to hhe@sp-group.dk. The e-mail is sent directly to Hans-Henrik Eriksen, who is chair of SP Group's Audit Committee and independent member of SP Group's Board of Directors elected by the general meeting. Executives and employees in SP Group do not have access to this e-mail.

Guidance on how to use SP Group's whistle-blower programme has been communicated to all employees in local languages.

The whistle-blower programme is also described on the Company's website. No matters were reported by stakeholders in 2021.

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.



Good spirit in the assembly department at Gibo's plant in Poland. From left: Lukasz Tomczyk, Mateusz Jozefiak, Iwona Marciniak and Dariusz Marciniak

Ownership interests at mid-March 2022:

Board of Directors & Group Management:	Private	Own company	Related	Total	% of share capital
Hans Wilhelm Schur	0	0	1,896,110	1,896,110	15.2
Erik Preben Holm	64,160	5,714	0	69,874	0.6
Hans-Henrik Eriksen	17,500	4,279	0	21,779	0.2
Bente Overgaard	6,465	1,461	113	8,039	0.1
Frank Gad	133,830	279	1,293,520	1,427,629	11.4
Søren Ulstrup	29,831	172,094	0	201,925	1.6
Lars Bering	6,725	0	15,405	22,130	0.2
Tilde Kejlhof	3,000	0	0	3,000	0.0
Total	261,511	183,827	3,205,148	3,650,486	29.2

Audit Committee

The duties of the Audit Committee are attended to by all members of the Board of Directors. Hans-Henrik Eriksen, who is an independent member, possesses accounting and audit qualifications. Hans-Henrik Eriksen is chairman of the Audit Committee and state authorised public accountant. Bente Overgaard is also an independent member. The Audit Committee has its own 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 auditors participate in the meetings of the Board of Directors in connection with the presentation of long-form audit reports to the Board of Directors. Prior to the recommendation for appointment at the annual general meeting, the Board of Directors makes an assessment, in consultation with the Executive Board, of the auditor's independence, competences, etc.

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