

# **Statutory Report on Corporate Governance, cf. Section 107b of the Danish Financial Statements Act**

This statutory report on corporate governance for Brødrene A & O Johansen A/S is part of the management's review in the annual report for 2018 and covers the accounting period 1 January – 31 December 2018. Information regarding the group's control and risk management systems and the composition of the group's management bodies, etc., are included in the auditors' opinion regarding the management's review in the annual report of the group.

## **The main features of the group's internal controls and risk management systems in relation to the financial reporting process**

The primary responsibility for the group's risk management and internal controls in relation to the financial reporting process rests with the board of directors and the executive board, including compliance with applicable legislation and other financial reporting regulations.

The group's risk management and internal controls in relation to the financial reporting process are designed to effectively manage, rather than eliminate, the risk of errors and omissions in the financial reporting.

The group's risk management and internal control systems in relation to the financial reporting process will provide reasonable, but not absolute, assurance that misappropriation of assets, losses and/or significant errors and omissions in the financial reporting are avoided.

The board of directors/audit committee and the executive board currently assess significant risks and internal controls in relation to the group's operations and their potential impact on the financial reporting process.

### **Control Environment**

At least once a year, the board of directors evaluates the group's organisational structure and the staffing in key areas, including in areas related to the financial reporting process.

The board of directors and the executive board are responsible for establishing and approving general policies, procedures and controls in key areas in relation to the financial reporting process. This requires a well-defined organisational structure, well-defined reporting lines, authorisation and certification procedures and separation of duties.

The board of directors has adopted policies and procedures, etc., within significant areas of financial reporting, among these a finance policy requiring approval of counterparties and determination of lines and limits in connection with financial transactions and counterparties, an IT strategy, an IT risk policy and a privacy policy.

The adopted policies and procedures are available on the group's intranet. Compliance is currently monitored and tested by means of random checks.

On an ongoing basis, the executive board monitors compliance with relevant legislation and other financial reporting regulations and provisions and reports its findings to the board of directors/audit committee.

### **Risk assessment**

At least once a year, the board of directors/audit committee and the executive board make a general risk assessment of risks in relation to the financial reporting process.

As part of the risk assessment, the board of directors and the executive board annually assess the risk of fraud and the measures to be taken to reduce and/or eliminate such risk. The board of directors also assesses any possibility of management override of controls and manipulation of the financial reporting.

Decisions and measures to reduce and/or eliminate risks are based on an assessment of materiality and cost/benefit analyses.

The significant risks in relation to the financial reporting are described in the management's review and in note 22 to the financial statements, to which is referred.

### **Control activities**

The control activities are based on the risk assessment. The group's control activities are aimed at ensuring compliance with the objectives, policies, procedures, etc., adopted by management and timely prevention, detection and correction of any errors, discrepancies, omissions, etc.

Control activities comprise manual and physical controls as well as general IT controls and automated application controls within the applied IT systems, etc.

Minimum requirements have been established for proper safeguarding of assets and for reconciliations and analyses of financial data, including ongoing assessment of performance and follow-up on objectives.

### **Information and communication**

In order to ensure that applicable disclosure requirements are met and that disclosures are full, complete and accurate, the board of directors has determined the external financial reporting requirements in accordance with current legislation and applicable regulations.

It is important to the board of directors and the executive board that all employees are, on a regular basis, provided with relevant information to enable them to carry out their responsibilities.

### **Monitoring**

To ensure its effectiveness, any risk management and internal control system requires ongoing monitoring, testing and quality control.

Monitoring takes place by means of regular and/or periodic assessments and controls at all levels of the group. The scope and frequency of the periodic assessments depend mainly on the risk assessments and on the effectiveness of the regular controls.

Any weaknesses, control failures, cases of non-compliance with adopted policies, frameworks, etc., or other significant discrepancies, are reported upwards in the organisation. Any weaknesses, omissions and/or cases of non-compliance are reported to the executive board. Any significant matters are also reported to the audit committee.

In connection with the presentation of the annual report the board of directors/audit committee receives reports from the executive board on compliance with the guidelines, etc., and information on any noted weaknesses, omissions and/or cases of non-compliance with adopted policies, business procedures and internal controls.

By means of the auditors' records, the auditors appointed by the company in general meeting report to the board of directors on any significant weaknesses in the group's internal control systems in relation to the financial reporting process. Any minor issues are reported to the executive board by means of management letters.

The board of directors/audit committee monitors that the executive board responds effectively to any weaknesses and/or omissions and that agreed measures aimed at strengthening risk management and internal controls in relation to the financial reporting process are implemented according to plan. The executive board is responsible for following up on any weaknesses found in subsidiaries and on issues described in management letters, etc.

## Recommendations for corporate governance

The Danish Committee on Corporate Governance issued updated recommendations for corporate governance based on the “comply-or-explain” principle on 23<sup>rd</sup> November 2017. The revised recommendations have been implemented by NASDAQ OMX Copenhagen A/S and they apply to all listed companies.

All recommendations have been analysed and considered by the board of directors and the executive board of Brødrene A & O Johansen A/S, and the board of directors still finds that the management of Brødrene A & O Johansen A/S complies with the most important recommendations:

Recommendation	The company complies	The company complies partially	The company does not comply	Comments on compliance with the recommendation. The explanation for complying partially/not complying with the recommendation.
<b>1. Communication and interaction by the company with its investors and other stakeholders</b>				
<i>1.1. Dialogue between company, shareholders and other stakeholders</i>				
1.1.1. The Committee <b>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.				The board of directors finds that sufficient dialogue between the company and the shareholders is achieved through the publication of interim reports and the shareholders’ attendance at general meetings.
1.1.2. The Committee <b>recommends</b> that the board of directors adopt policies on the company’s relationship with its stakeholders, including shareholders, and that the board of directors ensure that the interests of the stakeholders are respected in accordance with company policies.				

Recommendation	The company complies	The company complies partially	The company does not comply	Comments on compliance with the recommendation. The explanation for complying partially/not complying with the recommendation.
1.1.3. The Committee <b>recommends</b> that the company publish quarterly reports.				
<b>1.2. General meeting</b>				
1.2.1. The Committee <b>recommends</b> that that in organising the company's general meeting, the board of directors plans the meeting to support active ownership.				
1.2.2. The Committee <b>recommends</b> that proxies or votes by post for the general meeting allow shareholders to consider each individual item on the agenda.				
<b>1.3. Takeover bids</b>				
1.3.1. The Committee <b>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.				In the light of the company's owner structure the board of directors reserve the right, in certain cases, to reject takeover bids without them being submitted to the shareholders.

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<b>2. Tasks and responsibilities of the board of directors</b>				
<i>2.1. Overall tasks and responsibilities</i>				
2.1.1. The Committee <b>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.				
2.1.2. The Committee <b>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.				
2.1.3. The Committee <b>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.				
2.1.4. The Committee <b>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.				
2.1.5. The Committee <b>recommends</b> that at least once annually, the board of directors discuss the composition, developments, risks and succession plans of the executive board.				

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<i>2.2. Corporate social responsibility</i>				
2.2.1. The Committee <b>recommends</b> that the board of directors adopt policies on corporate social responsibility.				Please note that the company's mandatory report on corporate social responsibility and supplier code of conduct are available on the company's website.
<i>2.3. Chairman and vice chairman of the board of directors</i>				
2.3.1. The Committee <b>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.				
2.3.2. The Committee <b>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 the day-to-day management and the expected duration hereof should be publicly announced.				The CEO, who has been in charge of the day-to-day management of the company since 1981, is a member of the board of directors and holds more than 50% of the voting rights in the company. There is no board resolution on how long the CEO is to be in charge of the day-to-day management.

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<b>3. Composition and organisation of the board of directors</b>				
<i>3.1. Composition</i>				
<p>3.1.1. The Committee <b>recommends</b> that the board of directors annually evaluate and in the management commentary account for</p> <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>				
<p>3.1.2. The Committee <b>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>3.1.3. The Committee <b>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>				

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<p>3.1.4. The Committee <b>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 qualifications of 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>3.1.5. The Committee <b>recommends</b> that members of the company's executive board be not members of the board of directors and that a resigning chief executive officer be not directly elected as chairman or vice chairman for the same company.</p>				<p>The CEO, who has been in charge of the day-to-day management of the company since 1981, is a member of the board of directors and holds more than 50% of the voting rights in the company.</p>
<p>3.1.6. The Committee <b>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>				

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<i>3.2. Independence of the board of directors</i>				
<p>3.2.1. The Committee <b>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 of management in companies with corresponding connection) with the company, a subsidiary or an associated company,</li> <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 a member of the board of directors for more than 12 years, or</li> <li>• be a close relative with 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>				<p>More than half of the members of the board of directors elected by the general meeting are not independent pursuant to 3.2.1. At the nomination of candidates for the board of directors an overall assessment of each candidate's qualifications and experience is made. Independence is part of this assessment, but it is not a decisive factor, as qualifications, experience and business insight are considered to be of greater importance.</p>

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<i>3.3. Members of the board of directors and the number of other management functions</i>				
3.3.1. The Committee <b>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 that he/she can complete at a satisfactory level for the company.				
<p>3.3.2. The Committee <b>recommends</b> that the management commentary, in addition to the provisions laid down by legislation, includes 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 on the board of directors and committee meetings,</li> <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>				The final implementation of the EU Shareholders’ Rights Directive into Danish law is awaited. Until then the recommendation is only complied with in part, as it is considered sufficient to provide information about the total shareholding of the board of directors. For the time being It is considered a breach of privacy to disclose information about the shareholding of each individual board member.

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<p>3.3.3. The Committee <b>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>				
<b>3.4. Board committees</b>				
<p>3.4.1. The Committee <b>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>				

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3.4.2. The Committee <b>recommends</b> that a majority of the members of a board committee be independent.				More than half of the members of the audit committee are not independent pursuant to 3.4.2. The board of directors appoints the members of the audit committee on the basis of an overall assessment of qualifications. Independence is part of this assessment, but it is not a decisive factor, as the board of directors considers that business insight and knowledge of the audit committee's tasks are of greater importance. In addition, the audit committee consists solely of members of the board of directors of the company, and therefore there are no independence requirements according to Danish law.
3.4.3. The Committee <b>recommends</b> that the members of the board of directors set up an <u>audit committee</u> and that a chairman is appointed who is not the chairman of the board of directors.				The recommendation is only complied with in part, as the chairman of the board of directors is also the chairman of the audit committee.

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<p>3.4.4. The Committee <b>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>3.4.5. The Committee <b>recommends</b> that the audit committee:</p> <ul style="list-style-type: none"> <li>• annually assesses 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 available and approved by the board of directors,</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>				

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<p>3.4.6. The Committee <b>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> <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>The company only complies with the principles of the recommendation. On the basis of the size of the board of directors and the qualifications of the board members, the board of directors has decided not to establish a nomination committee. Instead, the chairmanship is responsible for the recommended preparatory tasks.</p>

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<p>3.4.7. The Committee <b>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>On the basis of the size of the board of directors and the qualifications of the board members, the board of directors has decided not to establish a remuneration committee. Instead, the chairmanship is responsible for the preparatory tasks related to the remuneration proposals for members of the board of directors and the executive board that are in compliance with the "General Guidelines for Incentive Remuneration" adopted by the general meeting.</p>
<p>3.4.8. The Committee <b>recommends</b> that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p>				<p>The recommendation is complied with, as it has not, at present, been found necessary to establish a remuneration committee.</p>

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<i>3.5. Evaluation of the performance of the board of directors</i>				
<p>3.5.1. The Committee <b>recommends</b> that the board of directors establish and 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>• contributions and results,</li> <li>• cooperation with the executive board,</li> <li>• the chairman's leadership of the board of directors,</li> <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>3.5.2. The Committee <b>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>				

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3.5.3. The Committee <b>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.				
<b>4. Remuneration of management</b>				
<i>4.1. Form and content of the remuneration policy</i>				
<p>4.1.1. The Committee <b>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> <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 it should be published on the company's website.</p>				<p>A proper remuneration policy is in preparation. The published guidelines for incentive remuneration of the board of directors and the executive board cover, in all material respects, the company's remuneration structure. The chairmanship of the board of directors ensures that the balance between the individual remuneration components is adjusted to the requirements of the company on a regular basis.</p>

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<p>4.1.2. The Committee <b>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 is 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 are found to be incorrect.</li> </ul>				<p>A proper remuneration policy is in preparation. The published guidelines for incentive remuneration of the board of directors and the executive board cover, in all material respects, the company's remuneration structure. The chairmanship of the board of directors ensures that the balance between the individual remuneration components is adjusted to the requirements of the company on a regular basis.</p>
<p>4.1.3. The Committee <b>recommends</b> that remuneration of members of the board of directors does not include share options or warrants.</p>				

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<p>4.1.4. The Committee <b>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 individual members of the executive board may be granted share options, and one year after the options have been granted, one-third of the share options is exercisable. Two years after the options have been granted, another third of the share options is exercisable, and three years after the granting of the share options, the remaining third is exercisable.</p>
<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>				

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<i>4.2. Disclosure of remuneration</i>				
4.2.1. The Committee <b>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.				A proper remuneration policy is in preparation. The published guidelines for incentive remuneration of the board of directors and the executive board cover, in all material respects, the company's remuneration structure. The chairmanship of the board of directors ensures that the balance between the individual remuneration components is adjusted to the requirements of the company on a regular basis.

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<p>4.2.2. The Committee <b>recommends</b> that the shareholders at the general meeting consider proposals for approval of remuneration for the board of directors for the current financial year.</p>				
<p>4.2.3. The Committee <b>recommends</b> that the company prepares 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 least 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.</p> <p>The remuneration policy should be published on the company's website.</p>				<p>The final implementation of the EU Shareholders' Rights Directive into Danish law is awaited. Until then it is considered a breach of privacy to disclose information about the remuneration of each individual member of the board of directors and the executive board. Information on the remuneration to the entire board of directors and executive board is available in the annual report.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	Comments on compliance with the recommendation. The explanation for complying partially/not complying with the recommendation.
<b>5. Financial reporting, risk management and audits</b>				
<i>5.1. Identifikation af risici og åbenhed om yderligere relevante oplysninger</i>				
5.1.1. The Committee <b>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 wells as for the company's risk management.				
<i>5.2. Whistleblower scheme</i>				
5.2.1. The Committee <b>recommends</b> that the board of directors establish a whistleblower scheme for expedient and confidential notification of serious wrongdoing or suspicions thereof.				The board of directors has decided that there is no need for establishing a whistleblower scheme, as the company's internal control environment is at a high level.
<i>5.3. Contact to auditor</i>				
5.3.1. The Committee <b>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.				

Recommendation	The company complies	The company complies partially	The company does not comply	Comments on compliance with the recommendation. The explanation for complying partially/not complying with the recommendation.
5.3.2. The Committee <b>recommends</b> that the audit agreement and auditor's fee be agreed by the board of directors and the auditor elected by the general meeting based on a recommendation from the audit committee.				

## Composition of the management bodies, their committees and their functions

The general meeting is Brødrene A & O Johansen A/S's supreme decision-making authority which elects the company's board of directors. The board of directors supervises the company's operations and makes sure that the company is managed properly and in accordance with the company's articles of association, the Danish Companies Act and any other legislation that may be important to the company.

Brødrene A & O Johansen A/S's board of directors comprises a total of eight members who have been elected to protect the interests of the shareholders as best as possible and to ensure an appropriate and balanced development of the company both in the short and the long term. The board of directors is in charge of the overall and strategic management of the company.

- Five members are elected by the general meeting. The preference shareholders have the right to elect one board member whereas the ordinary shareholders elect the remaining board members.
- In Denmark, the company's employees elect three board members according to the current provisions of the Danish Companies Act.

The competency profile of the board of directors and information on its composition are available at [www.ao.dk](http://www.ao.dk).

The board of directors has set up an audit committee having the following tasks:

- to monitor and report on the financial reporting process,
- to monitor the efficiency of the company's internal control, internal audit, if any, and risk management systems,
- to monitor the statutory audit of the financial statements,
- to monitor and review the independence of the auditor, including reviewing and approving the nature and extent of the external auditor's non-audit services,
- to recommend the appointment of auditors,
- to perform other tasks delegated on a regular basis by the board of directors.

Information on the composition of the audit committee is available at [www.ao.dk](http://www.ao.dk).

The executive board is responsible for the day-to-day running of the company. In compliance with the guidelines and directions prepared by the board of directors, the executive board prepares action plans and forecasts that support the company's strategy and reports earnings performance, risks and other significant data to the board of directors on a regular basis.

The text regarding "Recommendations for corporate governance" was adopted by the board of directors on 6 December 2018.