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 2017 and covers the accounting period 1 January – 31 December 2017. 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 and an IT risk 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 23 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

In May 2013, the Danish Committee on Corporate Governance issued updated recommendations for corporate governance based on the “comply-or-explain” principle. The revised recommendations, with the most recent upgrade in November 2014, 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:

1. Communication and interaction by the company with its investors and other stakeholders

The company’s investors, employees and other stakeholders have a joint interest in stimulating the company’s growth, and in the company always being in a position to adapt to changing demands, thus allowing the company to continue to be competitive and create value.

Therefore, it is essential to establish a positive interaction not merely between management and investors, but also in relation to other stakeholders.

Good corporate governance is also about establishing appropriate frameworks which enable investors to enter into a dialogue with management of the company.

Openness and transparency are essential conditions for the company’s investors and other stakeholders to have regular access to evaluate and relate to the company and its future, and thus engage in a constructive dialogue with the company.

As owners of the company, the shareholders should actively exercise their rights and influence at general meetings in order to help the company’s management protect the interests of the its shareholders as best as possible and thereby ensure an appropriate and balanced development of the company in the short and long term.

1.1. Dialogue between company, shareholders and other stakeholders

1.1.1. The Committee recommends that the board of directors ensure ongoing dialogue between the company and its shareholders in order for the shareholders to gain relevant insight into the company’s potential and policies, and in order for the board of directors to be aware of the shareholders’ views, interests and opinions on the company.

The recommendations are complied with.

1.1.2. The Committee recommends that the board of directors adopt policies on the company’s relationship with its stakeholders, including shareholders and other investors, and that the board ensures that the interests of the shareholders are respected in accordance with company policies.

The recommendations are complied with. Please note that the company’s IR policy is available on the company’s website.

1.1.3. The Committee recommends that the company publish quarterly reports.

The recommendations are not complied with. In Danish law, the requirement to publish quarterly reports has been abolished, and the company therefore only publishes annual reports and semi-annual reports.

1.2. General meeting

1.2.1. The Committee recommends that, when organising the company's general meeting, the board of directors plans the meeting to support active ownership.

The recommendations are complied with.

1.2.2. The Committee recommends that proxies granted for the general meeting allow shareholders to consider each individual item on the agenda.

The recommendations are complied with.

1.3. Takeover bids

1.3.1. The Committee recommends 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. According to such contingency procedures, the board of directors should not without the acceptance of the general meeting, attempt to counter the takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid themselves.

The recommendations are complied with in part. In the light of the company's owner structure the board of directors reserves the right, in certain cases, to reject takeover bids without them being submitted to the shareholders.

2. Tasks and responsibilities of the board of directors

It is incumbent upon the board of directors to carefully protect the interests of the shareholders with due consideration for the other stakeholders.

The board of directors is responsible for the overall and strategic management of the company to ensure value creation in the company. The board of directors must lay down the strategic goals of the company and ensure that the prerequisites necessary in order to reach such goals are present, in the form of financial resources and competences, and to ensure appropriate organisation of the activities of the company.

The prerequisite for meeting the company's strategic goals is that the board of directors employ a competent executive board, lays down the division of responsibilities between the board of directors and the executive board, the tasks and employment relationships of the executive board, and also establishes clear guidelines for accountability, planning, follow-up and risk management. The board of directors must supervise the executive board and lay down guidelines for the supervision.

The board of directors is responsible for ensuring the development, retention or dismissal of the executive board, as well as for ensuring that remuneration of the executive board reflects the long-term value creation in the company and the results otherwise achieved by the executive board.

The chairman of the board of directors organises, convenes and leads meetings of the board of directors to ensure efficiency in the board's work and to create the best possible working conditions for the members individually and collectively. This ensures that the individual member's special knowledge and skills are used in the best possible manner and to the benefit of the company.

In order for the board of directors to be able to meet its obligations, the chairman should cooperate with the board of directors on ensuring that members regularly receive updates, and expand their knowledge about matters relevant to the company, as well as ensure that the special knowledge and skills of each individual member are used in the best possible manner to the benefit of the company.

2.1. Overall tasks and responsibilities

2.1.1. The Committee recommends that at least once a year the board of directors take a position on the matters related to the board's performance of its responsibilities.

The recommendations are complied with.

2.1.2. The Committee recommends that at least once a year the board of directors take a position on the overall strategy of the company with a view to ensuring value creation in the company.

The recommendations are complied with.

2.1.3. The Committee recommends that the board of directors ensure that the company has a capital and share structure ensuring 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 presents this in the management commentary in the company's annual report and/or on the company's website.

The recommendations are complied with.

2.1.4. The Committee recommends that the board of directors annually review and approve guidelines for the executive board, this includes establishing requirements for the executive board on timely, accurate and adequate reporting to the board of directors.

The recommendations are complied with.

2.1.5. The Committee recommends that at least once a year the board of directors discuss the composition of the executive board, as well as developments, risks and succession plans.

The recommendations are complied with.

2.1.6. The Committee recommends that once a year the board of directors discuss the company's activities to ensure relevant diversity at management levels, including setting specific goals and accounting for its objectives and progress made in achieving the objectives in the management commentary on the company's annual report and/or on the website of the company.

The recommendations are complied with.

2.2. Corporate social responsibility

2.2.1. The Committee recommends that the board of directors adopt policies on corporate social responsibility.

The recommendations are complied with. Please note that the company's mandatory report on corporate social responsibility and supplier code of conduct are available on the company's website.

2.3. Chairman and vice-chairman of the board of directors

2.3.1. The Committee recommends appointing a vice-chairman of the board of directors who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective sparring partner for the chairman.

The recommendations are complied with.

2.3.2. The Committee recommends ensuring that, if the board of directors, in exceptional cases, asks the chairman of the board of directors to perform special operating activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect be passed to ensure that the board of directors maintains its independent, overall management and control function. Resolutions on the chairman's participation in day-to-day management and the expected duration hereof should be published in a company announcement.

The recommendations are complied with.

3. Composition and organisation of the board of directors

The board of directors should be composed so that it is able to execute its strategic, managerial and supervisory tasks..

It is essential that the board of directors be composed so as to ensure effective performance of its tasks in a constructive and qualified dialogue with the executive board. It is also essential that the members of the board of directors always act independently of special interests.

The board of directors defines the skills required by the company and regularly assesses whether its composition and the skills of its members individually and collectively reflect the requirements of the company's situation and conditions.

Diversity improves the quality of the work and the interaction of the board of directors, e.g. through different approaches to the performance of management tasks.

To increase value creation, the board of directors should evaluate its members every year and ensure integration of new talent while maintaining continuity.

In addition to the members of the board of directors elected by the general meeting, the board of directors may comprise members elected by the employees pursuant to the regulations of the Companies Act.

3.1. Composition

3.1.1. The Committee recommends that the board of directors annually accounts for

- the skills it must have to best perform its tasks,
- the composition of the board of directors, and
- the special skills of each member.

The recommendations are complied with.

3.1.2. The Committee recommends that the selection and nomination of candidates for the board of directors be carried out through a thoroughly transparent process approved by the overall board of directors. When assessing its composition and nominating new candidates, the board of directors must take into consideration the need for integration of new talent and diversity in relation to age, international experience and gender.

The recommendations are complied with.

3.1.3. The Committee recommends that a description of the nominated candidates' qualifications, including information about the candidates'

- other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises, be accompanied by the notice convening the general meeting when election of members to the board of directors is on the agenda

- demanding organisational tasks, and information

- about whether candidates to the board of directors are considered independent.

The recommendations are complied with.

3.1.4. The Committee recommends that the company's articles of association stipulate a retirement age for members of the board of directors.

The recommendations are not complied with. The company sees no need for fixing a retirement age for members of the board of directors, as the company attaches great importance to the fact that the board consists of members with relevant professional experience.

3.1.5. The Committee recommends that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.

The recommendations are complied with.

3.2. Independence of the board of directors

3.2.1 The Committee recommends 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. To be considered independent, this person may not:

- be or within the past five years have been member of the executive board, or senior staff member in the company, a subsidiary undertaking or an associate,
- within the past five years, have received larger emoluments from the company/group, a subsidiary undertaking or an associate in another capacity than as member of the board of directors,
- represent the interests of a controlling shareholder,
- within the past year, have had significant business relations (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management in companies with corresponding connection) with the company, a subsidiary undertaking or an associate,
- be or within the past three years have been employed or partner at the external auditor,
- have been chief executive in a company holding cross-memberships with the company,
- have been member of the board of directors for more than 12 years, or
- have been close relatives with persons who are not considered independent.

The recommendations are not complied with. 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.

3.3. Members of the board of directors and the number of other executive functions

3.3.1. The Committee recommends that each member of the board of directors assesses the expected time commitment for each function in order that the member does not take on more functions than he/she can manage satisfactorily for the company.

The recommendations are complied with.

3.3.2. The Committee recommends 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:

- the position of the relevant person,
- the age and gender of the relevant person,
- whether the member is considered independent,
- the date of appointment to the board of directors of the member,
- expiry of the current election period,
- other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises and
- demanding organisational tasks, and
- the number of shares, options, warrants, and similar in the company, and other group companies of the company, owned by the member, as well as changes in the portfolio of the member of the securities mentioned which have occurred during the financial year.

The recommendations are complied with in part, as it is considered sufficient to provide information about the total shareholding of the board of directors. It is considered a breach of privacy to disclose information about the shareholding of each individual board member.

3.4. Board committees

Board committees may increase efficiency and improve the quality of the work performed by the board of directors.

A board committee should be set up with the sole purpose of facilitating the transaction of business by the board of directors and must not cause significant information required by all members of the board of directors only to be communicated to the board committee, or that the processing required in the board of directors be limited or omitted.

The board of directors remains fully responsible for all decisions prepared by a board committee.

The board of directors should consider whether the company is particularly exposed, or whether other matters might motivate setting up further permanent committees other than the ones recommended below. This may help obtain better exploitation of the special competences of the board of directors. For example, this could be research and development or risk committees.

The board of directors may also set up ad hoc committees in connection with special tasks or issues of significant, though temporary nature. This may help ensure the required focus on the task in question as well as temporal prioritisation. Such issues could be CSR, ethical or image-related issues, large acquisitions or takeover bids.

3.4.1. The Committee recommends that the company publish the following on the company’s website:

- the terms of reference of the board committees,

- the most important activities of the committees during the year, and the number of meetings held by each committee, and
- the names of the members of each committee, including the chairmen of the committees, as well as information on which members are independent members and which members have special qualifications.

The recommendations are complied with.

3.4.2. The Committee recommends that a majority of the members of a board committee be independent.

The recommendations are not complied with. 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 the 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 recommends that the board of directors set up a formal audit committee composed such that

- the chairman of the board of directors is not chairman of the audit committee, and
- between them, the members should possess such expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit aspects of companies whose shares are admitted to trading on a regulated market.

The recommendations are only complied with in part, as the chairman of the board of directors is also the chairman of the audit committee.

3.4.4. The Committee recommends that, prior to the approval of the annual report and other financial reports, the audit committee monitors and reports to the board of directors about:

- significant accounting policies,
- significant accounting estimates,
- related party transactions, and
- uncertainties and risks, including in relation to the outlook for the current year.

The recommendations are complied with.

3.4.5. The Committee recommends that the audit committee:

- annually assesses the need for an internal audit, and in such case, makes recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, and

- monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function.

The recommendations are complied with.

3.4.6. The Committee recommends that the board of directors establish a nomination committee chaired by the chairman of the board of directors with at least the following preparatory tasks:

- describe the qualifications required by the board of directors and the executive board, and for a specific membership, state the time expected to be spent on having to carry out the membership, as well as assess the competences, knowledge and experience of the two governing bodies combined,

- annually assess the structure, size, composition and results of the board directors and the executive board, as well as recommend any changes to the board of directors,

- annually assess the competences, knowledge and experience of the individual members of management, and report to the board of directors in this respect,

- consider proposals from relevant persons, including shareholders and members of the board of directors and the executive board for candidates for the board of directors and the executive board, and

- propose an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.

The company only complies with the principles of the recommendations. 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.

3.4.7. The Committee recommends that the board of directors establish a remuneration committee with at least the following preparatory tasks:

- to recommend 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,

- make proposals to the board of directors on remuneration for members of the board of directors and the executive board as well as ensure 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 about the total amount of remuneration that members of the board of directors and the executive board receive from other companies in the group, and

- recommend a remuneration policy applicable for the company in general.

The recommendations are not complied with. 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.

3.4.8. The Committee recommends that the remuneration committee do not consult with the same external advisers as the executive board of the company.

The recommendations are complied with, as it has not, at present, been found necessary to establish a remuneration committee.

3.5. Evaluation of the performance of the board of directors and the executive board

The evaluation process is to form the basis for continuous improvements in board word and is to ensure that the board of directors continues to have the right composition and regularly introduces new talent. Involving external assistance in the evaluation process may be considered periodically.

3.5.1. The Committee recommends that the board of directors establish an evaluation procedure where contributions and results of the board of directors and the individual members, as well as collaboration with the executive board are annually evaluated. Significant changes deriving from the evaluation should be included in the management commentary or on the company's website.

The recommendations are complied with.

3.5.2. The Committee recommends that in connection with preparation of the general meeting, the board of directors consider whether the number of members is appropriate in relation to the requirements of the company. This should help ensure a constructive debate and an effective decision-making process in which all members are given the opportunity to participate actively.

The recommendations are complied with.

3.5.3. The Committee recommends that at least once a year the board of directors evaluate the work and performance of the executive board in accordance with pre-defined clear criteria.

The recommendations are complied with.

3.5.4. The Committee recommends 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.

The recommendations are complied with.

4. Remuneration of management

Openness and transparency about all important issues regarding company policy on and amounts of the total remuneration offered to members of the governing bodies are essential. Company policy on remuneration should support a long-term value creation for the company.

Competitive remuneration is a prerequisite for attracting and retaining competent members of the management of the company (the board of directors and the executive board). The company should have a remuneration policy, according to which the total remuneration package, i.e. the fixed and variable components and other remuneration components, as well as other significant employment terms, should be reasonable and reflect the governing body members' independent performance, responsibilities and value creation for the company.

The variable components of the remuneration (the incentive pay scheme) should be based on actual achievements over a period of time with a view to long-term value creation so as not to promote short-term and risky behaviour.

4.1. Form and content of the remuneration policy

4.1.1. The Committee recommends that the board of directors prepare a clear and transparent remuneration policy for the board of directors and the executive board, including

- a detailed description of the components of the remuneration for members of the board of directors and the executive board,
- the reasons for choosing the individual components of the remuneration, and
- a description of the criteria on which the balance between the individual components of the remuneration is based.

The remuneration policy should be approved by the general meeting and published on the company's website.

The recommendations are not complied with. There is no reason to prepare a proper remuneration policy for the board of directors and the executive board, as the published guidelines for incentive remuneration of the board of directors and the executive board in all material respects cover 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.

4.1.2. The Committee recommends that, if the remuneration policy includes variable components,

- limits be set on the variable components of the total remuneration package,
- a reasonable and balanced linkage be ensured between remuneration for governing body members, expected risks and the value creation for shareholders in the short and long terms,

- there be clarity about performance criteria and measurability for award of variable components,
- there be criteria ensuring that qualifying periods for variable components in remuneration agreements are longer than one calendar year, and
- an agreement is made which, in exceptional cases, entitles the company to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be misstated.

The recommendations are only complied with in part, as the remuneration agreements for members of the executive board do not include a right for the company, in exceptional cases, to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be misstated.

4.1.3. The Committee recommends that remuneration of members of the board of directors does not include share options.

The recommendations are complied with.

4.1.4. The Committee recommends that if share-based remuneration is provided, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should have a maturity of at least three years from the date of allocation.

The recommendations are not complied with. 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.

4.1.5. The Committee recommends that agreements on termination payments should not amount to more than two years' annual remuneration.

The recommendations are complied with.

4.2. Disclosure of the remuneration policy

4.2.1. The Committee recommends 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.

The recommendations are not complied with, as no actual remuneration policy has been adopted.

4.2.2. The Committee recommends that the proposed remuneration for the board of directors for the current financial year be approved by the shareholders at the general meeting.

The recommendations are not complied with, as proposals to that effect are not put on the agenda for the general meeting. The general meeting *approves the remuneration granted to the board of directors for the past year as part of the approval of the annual report. Thus, the shareholders have the opportunity to assess and comment on it. On this basis, the board of directors finds that there is no need to submit a separate proposal for remuneration of the board of directors for the current financial year.*

4.2.3. The Committee recommends that the total remuneration granted to each member of the board of directors and the executive board by the company and other companies in the group, including information on the most important contents of retention and retirement/resignation schemes, be disclosed in the annual report and that the linkage with the remuneration policy be explained.

The recommendations are not complied with, as it is considered to be sufficient to provide information about the remuneration granted to the total board of directors and the total executive board. It is considered a breach of privacy to disclose information about the remuneration granted to each individual member of the board of directors and the executive board. Remuneration of the board of directors is disclosed in the annual report which is approved by the annual general meeting.

5. Financial reporting, risk management and audits

Each member of the board of directors and the executive board is responsible for preparing the annual report and other financial reports in accordance with current legislation, applicable standards and any further requirements concerning financial statements stipulated in the articles of association, etc.

The annual report and other financial reports should be supplemented by additional financial and non-financial information, if deemed necessary or relevant in relation to the information needs of the recipients.

The members of the board of directors and executive board must ensure that the financial reporting is easy to understand and balanced and provides a true and fair view of the company's financial position, performance and cash flow. The management commentary must give a true and fair presentation of the state of affairs, including value creation and the outlook.

When considering and approving the annual report, the board of directors must decide whether the business is a going concern, including supporting assumptions or qualifications where necessary.

Effective risk management and an effective internal control system contribute to reducing strategic and business risks, to ensuring observance of current rules and regulations and to ensuring the quality of the basis for management decisions and financial reporting. It is essential that the risks are identified and communicated, and that the risks are managed appropriately.

Effective risk management and internal control are a precondition for the board of directors and the executive board to efficiently perform the tasks bestowed upon them. Consequently, it is essential that the board of directors ensure effective risk management and effective internal controls.

An independent and competent audit is essential for the board's work.

5.1. Identification of risks and transparency about other relevant information

5.1.1. The Committee recommends that the board of directors in the management commentary review and account for the most important strategic and business-related risks, risks in connection with the financial reporting as well as for the company's risk management.

The recommendations are complied with.

5.2. Whistleblower scheme

5.2.1. The Committee recommends that the board of directors decide whether to establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.

The recommendations are complied with. *The board of directors has decided that there is no need for establishing a whistleblower scheme.*

5.3. Contact to auditor

5.3.1. The Committee recommends that the board of directors ensure regular dialogue and exchange of information between the auditor and the board of directors, including that the board of directors and the audit committee at least once a year meet with the auditor without the executive board present. This also applies to the internal auditor, if any.

The recommendations are complied with.

5.3.2. The Committee recommends that the audit agreement and auditors' fee be agreed between the board of directors and the auditor on the basis of a recommendation from the audit committee.

The recommendations are complied with.

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.

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.

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 8 December 2017.