

---

# **STATUTORY REPORT ON CORPORATE GOVERNANCE**

## **cf. Section 107 b of the Danish Financial Statements Act**

---



**BRØDRENE A & O JOHANSEN A/S**

Rørvang 3  
DK-2620 Albertslund \* Denmark

As adopted by the Board of Directors on 8 December 2022

## **Statutory Report on Corporate Governance, cf. Section 107 b 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 2022 and covers the accounting period 1 January – 31 December 2022. 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 credit policy and an overall policy on information security and data protection.

The adopted policies and procedures are available on the group's intranet or website. 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 27 (Financial risks) 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.

## Danish Recommendations on Corporate Governance

The Danish Committee on Corporate Governance issued updated recommendations for corporate governance based on the “comply-or-explain” principle on 2<sup>nd</sup> December 2020. The updated recommendations have been implemented by Nasdaq 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 finds that Brødrene A & O Johansen A/S complies with the most important recommendations.

Recommendation	The company <u>complies</u>	The company <u>explains</u> <sup>1</sup>	
		<i>Why</i>	<i>how</i>
<b>1. Interaction with the company’s shareholders, investors and other stakeholders</b>			
<b>1.1. Communication with the company’s shareholders, investors and other stakeholders</b>			
<b>1.1.1. The Committee recommends</b> that the management through ongoing dialogue and interaction ensures that shareholders, investors and other stakeholders gain the relevant insight into the company's affairs, and that the board of directors obtains the possibility of hearing and including their views in its work.	COMPLIES		
<b>1.1.2. The Committee recommends</b> that the company adopts policies on the company’s relationships with its shareholders, investors and if relevant other stakeholders in order to ensure that the various interests	COMPLIES		

<sup>1</sup> If the company does not comply with a recommendation, the company must specifically explain; *why* the company has decided not to comply with the recommendation, and *which* approach the company has chosen instead. A comprehensive explanation answers both questions and is considered as compliant. Thus, it is important that the company answers both questions in its explanation.

Recommendation	The company <u>complies</u>		The company <u>explains</u> <sup>1</sup>	
			<i>Why</i>	<i>how</i>
are included in the company's considerations and that such policies are made available on the company's website.				
<b>1.1.3. The Committee recommends</b> that the company publishes quarterly reports.	COMPLIES			
<b>1.2. The general meeting</b>				
<b>1.2.1. The Committee recommends</b> that the board of directors organises the company's general meeting in a manner that allows shareholders, who are unable to attend the meeting in person or are represented by proxy at the general meeting, to vote and raise questions to the management prior to or at the general meeting. The Committee recommends that the board of directors ensures that shareholders can observe the general meeting via webcast or other digital transmission.	COMPLIES			
<b>1.2.2. The Committee recommends</b> that proxies and postal votes to be used at the general meeting enable the shareholders to consider each individual item on the agenda.	COMPLIES			
<b>1.3. Takeover bids</b>				
<b>1.3.1. The Committee recommends</b> that the company has a procedure in place in the event of takeover bids, containing a "road map" covering matters for the board of directors to consider in the event of a takeover bid, or if the board of directors obtains reasonable grounds to suspect that a takeover bid may be submitted. In addition, it is recommended that it appears from the procedure that the board of directors abstains from countering any takeover bids by taking actions that seek to prevent	DIFFERENT APPROACH	The company has a special owner-ship structure where more than 70% of the voting rights are held by A shareholders	In the light of the company's ownership structure the board of directors reserves the right, in certain cases, to reject takeover bids without them being submitted to other shareholders.	

Recommendation	The company <u>complies</u>	The company <u>explains</u> <sup>1</sup>	
		<i>Why</i>	<i>how</i>
the shareholders from deciding on the takeover bid, without the approval of the general meeting.			
<b>1.4. Corporate Social Responsibility</b>			
<b>1.4.1. The Committee recommends</b> that the board of directors adopts a policy for the company’s corporate social responsibility, including social responsibility and sustainability, and that the policy is available in the management commentary and/or on the company’s website. The Committee recommends that the board of directors ensures compliance with the policy.	COMPLIES		
<b>1.4.2. The Committee recommends</b> that the board of directors adopts a tax policy to be made available on the company’s website.	COMPLIES		
<b>2. The duties and responsibilities of the board of directors</b>			
<b>2.1. Overall tasks and responsibilities</b>			
<b>2.1.1. The Committee recommends</b> that the board of directors in support of the company’s statutory objects according to its articles of association and the long-term value creation considers the company’s purpose and ensures and promotes a good culture and sound values in the company. The company should provide an account thereof in the management commentary and/or on the company’s website.	COMPLIES		



Recommendation	The company <u>complies</u>	The company <u>explains</u> <sup>1</sup>	
		<i>Why</i>	<i>how</i>
<b>2.1.2. The Committee recommends</b> that the board of directors at least once a year discusses and on a regular basis follows up on the company's overall strategic targets in order to ensure the value creation in the company.	COMPLIES		
<b>2.1.3. The Committee recommends</b> that the board of directors on a continuously basis takes steps to examine whether the company's share and capital structure supports the strategy and the long-term value creation in the interest of the company as well as the shareholders. The Committee recommends that the company gives an account thereof in the management commentary.	COMPLIES		
<b>2.1.4. The Committee recommends</b> that the board of directors prepares and on an annual basis reviews guidelines for the executive management, including requirements in respect of the reporting to the board of directors.	COMPLIES		
<b>2.2. Members of the board of directors</b>			
<b>2.2.1. The Committee recommends</b> that the board of directors, in addition to a chairperson, appoints a vice chairperson, who can step in if the chairperson is absent and who can generally act as the chairperson's close sparring partner.	COMPLIES		
<b>2.2.2. The Committee recommends</b> that the chairperson in cooperation with the individual members of the board of directors ensures that the members up-date and supplement their knowledge of relevant matters,	COMPLIES		

Recommendation	The company <u>complies</u>	The company <u>explains</u> <sup>1</sup>	
		<i>Why</i>	<i>how</i>
and that the members' special knowledge and qualifications are applied in the best possible manner.			
<p><b>2.2.3. The Committee recommends</b> that if the board of directors, in exceptional cases, requests a member of the board of directors to take on special duties for the company, for instance, for a short period to take part in the daily management of the company, the board of directors should approve this in order to ensure that the board of directors maintains its independent overall management and control function. It is recommended that the company publishes any decision on allowing a member of the board of directors to take part in the daily management, including the expected duration thereof.</p>	DIFFERENT APPROACH	The A shareholders appoint four out of five members of the board of directors elected by the general meeting. The CEO is one of the board members appointed by the A shareholders.	The CEO, who has been in charge of the daily management of the company since 1981, is a member of the board of directors and holds more than 70% of the voting rights in the company.
<p><b>3. The composition, organisation and evaluation of the board of directors</b></p> <p><b>3.1. Composition</b></p>			
<p><b>3.1.1. The Committee recommends</b> that the board of directors on an annual basis reviews and in the management commentary and/or on the company's website states</p> <ul style="list-style-type: none"> <li>• which qualifications the board of directors should possess, collectively and individually, in order to perform its duties in the best possible manner, and</li> <li>• the composition of and diversity on the board of directors.</li> </ul>	COMPLIES		

Recommendation	The company <u>complies</u>	The company <u>explains</u> <sup>1</sup>	
		<i>Why</i>	<i>how</i>
<p><b>3.1.2. The Committee recommends</b> that the board of directors on an annual basis discusses the company's activities in order to ensure relevant diversity at the different management levels of the company and adopts a diversity policy, which is included in the management commentary and/or available on the company's website.</p>	COMPLIES		
<p><b>3.1.3. The committee recommends</b> that candidates for the board of directors are recruited based on a thorough process approved by the board of directors. The Committee recommends that in assessing candidates for the board of directors – in addition to individual competencies and qualifications – the need for continuity, renewal and diversity is also considered.</p>	COMPLIES		
<p><b>3.1.4. The Committee recommends</b> that the notice convening general meetings, where election of members to the board of directors is on the agenda - in addition to the statutory items - also includes a description of the proposed candidates'</p> <ul style="list-style-type: none"> <li>• qualifications,</li> <li>• other managerial duties in commercial undertakings, including board committees,</li> <li>• demanding organisational assignments and</li> <li>• independence.</li> </ul>	COMPLIES		

**Recommendation**

**The company complies**

**The company explains<sup>1</sup>**

*Why*

*how*

**3.1.5. The Committee recommends** that members of the board of directors elected by the general meeting stand for election every year at the annual general meeting, and that the members are nominated and elected individually.

COMPLIES

**3.2. The board of director’s independence**

**3.2.1. The Committee recommends** that at least half of the members of the board of directors elected in general meeting are independent in order for the board of directors to be able to act independently avoiding conflicts of interests.

In order to be independent, the member in question may not:

- be or within the past five years have been a member of the executive management or an executive employee in the company, a subsidiary or a group company,
- within the past five years have received large emoluments from the company/group, a subsidiary or a group company in another capacity than as member of the board of directors,
- represent or be associated with a controlling shareholder,
- within the past year have had a business relationship (e.g. personally or indirectly as a partner or an employee, shareholder, customer, supplier or member of a governing body in companies with similar relations) with the company, a subsidiary or a group company, which is significant for the company and/or the business relationship,
- be or within the past three years have been employed with or a partner in the same company as the company’s auditor elected in general meeting,

DIFFERENT APPROACH

The individual board members are assessed to possess necessary qualifications and experience and to be able to act independently of special interests.

In connection with the annual evaluation of the board of directors and 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.

**Recommendation**

**The company complies**

**The company explains<sup>1</sup>**

*Why*

*how*

<ul style="list-style-type: none"> <li>• be a CEO in a company with cross-memberships in the company’s management,</li> <li>• have been a member of the board of directors for more than twelve years, or</li> <li>• be closely related to persons, who are not independent, cf. the above-stated criteria.</li> </ul> <p>Even if a member of the board of directors does not fall within the above-stated criteria, the board of directors may for other reasons decide that the member in question is not independent.</p>			
<p><b>3.2.2. The Committee recommends</b> that members of the executive management are not members of the board of directors and that members retiring from the executive management does not join the board of directors immediately thereafter.</p>	<p>DIFFERENT APPROACH</p>	<p>The A shareholders appoint four out of five members of the board of directors elected by the general meeting. The CEO is one of the board members appointed by the A shareholders.</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 70% of the voting rights in the company.</p>
<p><b>3.3. Members of the board of directors and the number of other managerial duties</b></p>			
<p><b>3.3.1. The Committee recommends</b> that the board of directors and each of the members on the board of directors, in connection with the annual evaluation, cf. recommendation 3.5.1., assesses how much time is required to perform the board duties. The aim is for the individual member of the board of directors not to take on more managerial duties than the board member in question is able to perform in a satisfactory manner.</p>	<p>COMPLIES</p>		

**Recommendation**

**The company complies**

**The company explains<sup>1</sup>**

*Why*

*how*

**3.3.2. The Committee recommends** that the management commentary, in addition to the statutory requirements, contains the following information on the individual members of the board of directors:

- position, age and gender,
- competencies and qualifications relevant to the company,
- independence,
- year of joining the board of directors,
- year of expiry of the current election period,
- participation in meetings of the board of directors and committee meetings,
- managerial duties in other commercial undertakings, including board committees, and demanding organisational assignments, and
- the number of shares, options, warrants, etc. that the member holds in the company and its group companies and any changes in such holdings during the financial year.

COMPLIES

**3.4. Board committees**

**3.4.1. The Committee recommends** that the management describes in the management commentary:

- the board committees’ most significant activities and number of meetings in the past year, and
- the members on the individual board committees, including the chairperson and the independence of the members of the committee in question.

COMPLIES

## Recommendation

### The company complies

### The company explains<sup>1</sup>

*Why*

*how*

In addition, it is recommended that the board committees' terms of reference are published on the company's website.

**3.4.2. The Committee recommends** that board committees solely consist of members of the board of directors and that the majority of the members of the board committees are independent.

DIFFERENT APPROACH

The individual board members are assessed to possess necessary qualifications and experience and to be able to act independently of special interests.

The board of directors appoints the members of the board committees on the basis of an overall assessment of qualifications, including independence. The board of directors considers that business insight and knowledge of the board committees' tasks are of greater importance than independence. The board committees consist solely of members of the board of directors of the company.

**3.4.3. The Committee recommends** that the board of directors establishes an audit committee and appoints a chairperson of the audit committee, who is not the chairperson of the board of directors. The Committee recommends that the audit committee, in addition to its statutory duties, assists the board of directors in:

- supervising the correctness of the published financial information, including accounting practices in significant areas, significant accounting estimates and related party transactions,

DIFFERENT APPROACH

The board of directors appoints the members of the audit committee, including the chairperson, on the basis of an overall assessment of qualifications.

Qualifications are essential, when the chairperson of the audit committee is appointed by the board of directors, and the board of directors has therefore chosen to disregard the fact that the chairperson of the audit committee is also the chairperson of the company's board of directors.

**Recommendation**

**The company complies**

**The company explains<sup>1</sup>**

*Why*

*how*

- reviewing internal control and risk areas in order to ensure management of significant risks, including in relation to the announced financial outlook,
- assessing the need for internal audit,
- performing the evaluation of the auditor elected by the general meeting,
- reviewing the auditor fee for the auditor elected by the general meeting,
- supervising the scope of the non-audit services performed by the auditor elected by the general meeting, and
- ensuring regular interaction between the auditor elected by the general meeting and the board of directors, for instance, that the board of directors and the audit committee at least once a year meet with the auditor without the executive management being present.

If the board of directors, based on a recommendation from the audit committee, decides to set up an internal audit function, the audit committee must:

- prepare terms of reference and recommendations on the nomination, employment and dismissal of the head of the internal audit function and on the budget for the department,
- ensure that the internal audit function has sufficient resources and competencies to perform its role, and
- supervise the executive management’s follow-up on the conclusions and recommendations of the internal audit function.



**Recommendation**

**The company complies**

**The company explains<sup>1</sup>**

*Why*

*how*

**3.4.4. The Committee recommends** that the board of directors establishes a nomination committee to perform at least the following preparatory tasks:

- describing the required qualifications for a given member of the board of directors and the executive management, the estimated time required for performing the duties of this member of the board of directors and the competencies, knowledge and experience that is or should be represented in the two management bodies,
- on an annual basis evaluating the board of directors and the executive management’s structure, size, composition and results and preparing recommendations for the board of directors for any changes,
- in cooperation with the chairperson handling the annual evaluation of the board of directors and assessing the individual management members’ competencies, knowledge, experience and succession as well as reporting on it to the board of directors,
- handling the recruitment of new members to the board of directors and the executive management and nominating candidates for the board of directors' approval,
- ensuring that a succession plan for the executive management is in place,
- supervising executive managements’ policy for the engagement of executive employees, and
- supervising the preparation of a diversity policy for the board of directors’ approval.

COMPLIES

**Recommendation**

**The company complies**

**The company explains<sup>1</sup>**

*Why*

*how*

**3.4.5. The Committee recommends** that the board of directors establishes a remuneration committee to perform at least the following preparatory tasks:

- preparing a draft remuneration policy for the board of directors' approval prior to the presentation at the general meeting,
- providing a proposal to the board of directors on the remuneration of the members of the executive management,
- providing a proposal to the board of directors on the remuneration of the board of directors prior to the presentation at the general meeting,
- ensuring that the management's actual remuneration complies with the company's remuneration policy and the evaluation of the individual member's performance, and
- assisting in the preparation of the annual remuneration report for the board of directors' approval prior to the presentation for the general meeting's advisory vote.

COMPLIES

**3.5. Evaluation of the board of directors and the executive management**

**3.5.1. The Committee recommends** that the board of directors once a year evaluates the board of directors and at least every three years engages external assistance in the evaluation. The Committee recommends that the evaluation focuses on the recommendations on the board of directors' work, efficiency, composition and organisation, cf. recommendations 3.1.-3.4. above, and that the evaluation as a minimum always includes the following topics:

- the composition of the board of directors with focus on competencies and diversity

DIFFERENT APPROACH

In 2022, other procedure for evaluating the board of directors will be used. This procedure follows the structure recommended by the Committee.

**Recommendation**

**The company complies**

**The company explains<sup>1</sup>**

*Why*

*how*

<ul style="list-style-type: none"> <li>the board of directors and the individual member’s contribution and results,</li> <li>the cooperation on the board of directors and between the board of directors and the executive management,</li> <li>the chairperson’s leadership of the board of directors,</li> <li>the committee structure and the work in the committees,</li> <li>the organisation of the work of the board of directors and the quality of the material provided to the board of directors, and</li> <li>the board members’ preparation for and active participation in the meetings of the board of directors.</li> </ul>			
<p><b>3.5.2. The Committee recommends</b> that the entire board of directors discusses the result of the evaluation of the board of directors and that the procedure for the evaluation and the general conclusions of the evaluation are described in the management commentary, on the company’s website and at the company’s general meeting.</p>	<p>COMPLIES</p>		
<p><b>3.5.3. The Committee recommends</b> that the board of directors at least once a year evaluates the work and results of the executive management according to pre-established criteria, and that the chairperson reviews the evaluation together with the executive management. In addition, the board of directors should on a continuous basis assess the need for changes in the structure and composition of the executive management, including in respect of diversity, succession planning and risks, in light of the company’s strategy.</p>	<p>COMPLIES</p>		

Recommendation	The company <u>complies</u>	The company <u>explains</u> <sup>1</sup>	
		<i>Why</i>	<i>how</i>
<b>4. Remuneration of management</b>			
<b>4.1. Remuneration of the board of directors and the executive management</b>			
<b>4.1.1. The Committee recommends</b> that the remuneration for the board of directors and the executive management and the other terms of employment/service is considered competitive and consistent with the company's long-term shareholder interests.	COMPLIES		
<b>4.1.2. The Committee recommends</b> that share-based incentive schemes are revolving, i.e. that they are periodically granted, and that they primarily consist of long-term schemes with a vesting or maturity period of at least three years.	COMPLIES		
<b>4.1.3. The Committee recommends</b> that the variable part of the remuneration has a cap at the time of grant, and that there is transparency in respect of the potential value at the time of exercise under pessimistic, expected and optimistic scenarios.	COMPLIES		
<b>4.1.4. The Committee recommends</b> that the overall value of the remuneration for the notice period, including severance payment, in connection with a member of the executive management's departure, does not exceed two years' remuneration including all remuneration elements.	COMPLIES		

Recommendation	The company <u>complies</u>		The company <u>explains</u> <sup>1</sup>	
			<i>Why</i>	<i>how</i>
4.1.5. The Committee recommends that members of the board of directors are not remunerated with share options and warrants.	COMPLIES			
4.1.6. The Committee recommends that the company has the option to reclaim, in whole or in part, variable remuneration from the board of directors and the executive management if the remuneration granted, earned or paid was based on information, which subsequently proves to be incorrect, or if the recipient acted in bad faith in respect of other matters, which implied payment of a too large variable remuneration.	COMPLIES			
<b>5. Risk management</b>				
<b>5.1. Identification of risks and openness in respect of additional information</b>				
5.1.1. The Committee recommends that the board of directors based on the company's strategy and business model considers, for instance, the most significant strategic, business, accounting and liquidity risks. The company should in the management commentary give an account of these risks and the company's risk management.	COMPLIES			
5.1.2. The Committee recommends that the board of directors establishes a whistleblower scheme, giving the employees and other stakeholders the opportunity to report serious violations or suspicion thereof in an expedient and confidential manner, and that a procedure is in place for handling such whistleblower cases.	DIFFERENT APPROACH	The company complies with Danish law, and at present there is only an obligation to establish an internal whistleblower scheme.	At present, the established whistleblower scheme is only available to company employees. The need for an extension to include other stakeholders will be assessed on an ongoing basis.	

## 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 B shareholders have the right to elect one board member whereas the A 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 board of directors has set up a **nomination committee** to perform the following preparatory tasks:

- describing the required qualifications for a given member of the board of directors and the executive management, the estimated time required for performing the duties of this member of the board of directors and the competencies, knowledge and experience that is or should be represented in the two management bodies,
- on an annual basis evaluating the board of directors and the executive management's structure, size, composition and results and preparing recommendations for the board of directors for any changes,
- in cooperation with the chairperson handling the annual evaluation of the board of directors and assessing the individual management members' competencies, knowledge, experience and succession as well as reporting on it to the board of directors,
- handling the recruitment of new members to the board of directors and the executive management and nominating candidates for the board of directors' approval,
- ensuring that a succession plan for the executive management is in place,
- supervising executive managements' policy for the engagement of executive employees, and
- supervising the preparation of a diversity policy for the board of directors' approval.

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

The board of directors has set up a **remuneration committee** to perform the following preparatory tasks:

- preparing a draft remuneration policy for the board of directors' approval prior to the presentation at the general meeting,
- providing a proposal to the board of directors on the remuneration of the members of the executive management,
- providing a proposal to the board of directors on the remuneration of the board of directors prior to the presentation at the general meeting,
- ensuring that the management's actual remuneration complies with the company's remuneration policy and the evaluation of the individual member's performance, and
- assisting in the preparation of the annual remuneration report for the board of directors' approval prior to the presentation for the general meeting's advisory vote.

Information on the composition of the remuneration 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 "Danish Recommendations on Corporate Governance" was adopted by the board of directors on 8 December 2022.