

Corporate governance in MT Højgaard A/S

MT Højgaard A/S (the Group) is owned by the two companies Højgaard Holding A/S (54%) and Monberg & Thorsen A/S (46%), both of which are listed on Nasdaq Copenhagen.

This report is an integral part of the Management's review in the Group's annual report for 2018, which covers the period 1 January 2018 – 31 December 2018.

The report describes the Group's management structure and the key elements of the company's internal control and risk management systems related to the financial reporting. The report also describes the Group's position on Recommendations on Corporate Governance, which can be viewed at www.corporategovernance.dk/english and have been implemented in Nasdaq Copenhagen's Rules for Issuers of Shares. The Board of Directors of MT Højgaard A/S has taken a position on the recommendations, which the Group largely adheres to, with a few exceptions.

In some instances, reference is made to the two listed owner companies, which, in principle, comply with Recommendations on Corporate Governance. The statutory corporate governance reports of the listed owner companies can be viewed at www.hojgaard.dk and www.monthor.com.

February 2019

Management structure

The shareholders – the two owner companies – exercise their rights at the general meeting, which is the company's supreme body and elects the Board of Directors, among other responsibilities.

Board of Directors

The Board of Directors takes care of the company's general management, makes decisions of a strategic nature and oversees the Group's activities, management and organisation. The Board of Directors reviews and updates strategy, business and action plans annually and approves the annual budget for the coming financial year.

The Board has nine members – six elected at the general meeting and three elected by the employees. The members elected at the general meeting are elected for a one-year term and can stand for re-election, while the members elected by the employees are elected for a four-year term. The Board's activities are governed by its rules of procedure, which are reviewed annually. According to its rules of procedure, the Board must meet at least five times a year. The Board met seven times in 2018.

The Board carries out an annual self evaluation of its work, performance, composition and skills. In order to enable the Board to take care of its managerial and strategic tasks and at the same time be a good sparring partner for the Executive Board, the following skills are particularly relevant: knowledge of the construction and civil engineering industry, strategic business development, management of complex projects, risk management, financial and accounting knowledge, and general management of listed companies. The Board is judged to possess these skills.

Board Committees

The Board of Directors has established an Audit Committee that assists the Board in overseeing the financial reporting process and reviewing the adequacy and effectiveness of internal control systems. The Committee also helps oversee that applicable laws are being complied with and helps regularly assess whether the accounting policies are relevant and current, and the manner in which material and exceptional items are accounted for. The Committee also assesses and makes recommendations in relation to the appointment of auditors at the general meeting. The members are Pernille Fabricius (Chairman), Anders Lindberg (from January 2019 – replacing Anders Heine Jensen, who resigned from the Audit Committee on taking up the role of President & CEO of MT Højgaard) and Vinnie Sunke Heimann (elected by the employees). Five of the Committee's meetings in 2018 were also attended by CFO Egil Mølsted Madsen. The Committee's terms of reference can be viewed at <https://mthgroup.eu/Responsibility/Corporate-governance>.

Executive Board

The Executive Board of MT Højgaard A/S is appointed by the Board of Directors and is responsible for the day-to-day management of the Group. The Executive Board is responsible for implementing the Group's strategy and decisions once these have been approved by the Board of Directors.

Internal control and risk management

The Group's accounting and control systems ensure that internal and external financial reporting gives a true and fair view without material misstatement, including that the accounting policies are adequate. The accounting and control systems provide reasonable, but not absolute, assurance against material errors and omissions in the financial reporting.

The Board of Directors and the Executive Board regularly review material risks and internal controls in connection with the Group's activities and their potential impact on the financial reporting process.

Control environment

The Board of Directors and the Executive Board continuously endeavour to ensure good risk management and internal control in connection with the financial reporting process. The Executive Board is responsible for ensuring that the Group's control environment provides a proper basis for the preparation of the financial reporting. Company and project-specific risks are managed in close collaboration with the responsible officers in the companies in the Group.

The Board of Directors and the Executive Board have defined targets and values that form part of the basis for the Group's strategic development and business plans. In addition, policies, procedures and controls have been established in key areas in connection with the financial reporting process, on the basis of clear and available descriptions of organisational structure, reporting lines and authorisation and approval procedures, and relevant segregation of duties has been established.

Risk assessment

The risk of errors is greatest in relation to the items in the financial statements that are based on estimates or are generated through complex processes. The Executive Board ensures and coordinates a risk assessment procedure aimed at identifying such items and stating the extent of the associated risks.

The risk management and reporting reflect the fact that the principal operational risks in a construction and civil engineering company are related to the bidding and execution phases of the individual projects.

Control activities

The purpose of control activities is to prevent, detect and correct any errors or irregularities and to enable estimates to be made that are reasonable in the circumstances.

These activities are integrated in the integrated management systems, financial reporting manuals and business procedures of the individual business areas and subsidiaries. They include approval procedures for contracting of new projects that ensure initial risk assessment and management involvement at various levels, depending on project size and type. Procedures are also in place for monthly reviews with the responsible senior management, including of the risk assessment of the individual projects and of project stage based on updated accounting records and updated expectations concerning remaining production.

A controller function that is independent of management in the commercial units participates in material project reviews in order to verify that the reporting of income and expenses on projects presents a true and fair view.

The recognition of claims and disputes in the financial statements is based on assessments and reports from the Group's legal department. External lawyers are involved in assessments on major claims and disputes.

Lastly, a number of procedures are in place for verifications, authorisations, approvals, reconciliations and analyses of results as well as IT application controls, and more general IT controls.

Information and communication

The Group maintains internal information and communications systems to ensure that the financial reporting is correct, gives a true and fair view and is adequate.

Integrated management systems, financial reporting manuals and other reporting instructions are regularly updated. Changes in policies and accounting procedures are disclosed and explained to the parties involved on an ongoing basis.

Monitoring

The Board of Directors monitors the overall disclosure level in the Group's financial reporting. In addition, the Board has set up an Audit Committee to assist the Board of Directors in the monitoring of the financial reporting process and to review the adequacy and effectiveness of the internal control systems, including that applicable legislation is being complied with, that the accounting policies are relevant and current, and the manner in which material and exceptional items are accounted for.

The Group uses financial, reporting and control systems to monitor its activities. The systems enable the Group to detect and correct any errors or irregularities in the financial reporting at an early stage. This includes any weaknesses detected in internal controls or non-compliance with procedures and policies.

The Group applies the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements in the Danish Financial Statements Act. All business areas and subsidiaries must comply with the accounting policies, and the Group also has a financial reporting manual that is updated and reviewed on a regular basis. Compliance with the accounting policies and the manual is monitored at Group level.

Formal confirmations of compliance with accounting policies are obtained annually from all subsidiaries, and requirements concerning compliance with relevant Group policies are incorporated in the companies' rules of procedure.

All consolidated enterprises report detailed monthly accounting data. These financial data are analysed and monitored at Group and other management levels.

The report relates to the financial period **1 January 2018 – 31 December 2018 (2018 financial year)**

Recommendation	Complied with	Partly complied	Not complied with	The company partly complies with/does not comply with the recommendation for the following reason:
1. Communication and interaction by the company with its investors and other stakeholders				
<i>1.1. Dialogue between company, shareholders and other stakeholders</i>				
<p>1.1.1. The Committee recommends 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.</p>	√			<p>MT Højgaard A/S (the Group) is owned by Højgaard Holding A/S (54%) and Monberg & Thorsen A/S (46%). Both companies are listed on Nasdaq Copenhagen, and these companies and the Group are consequently subject to the disclosure requirements and other rules for listed companies.</p> <p>The Group wishes to keep the public – including investors, analysts, the media and other stakeholders – openly, accurately and fully informed about the Group's development, financial performance and planned and expected development. The aim is to achieve a steady, high level of information, active distribution of company announcements and reports, and equal access to information.</p>
<p>1.1.2. The Committee recommends 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 poli-</p>	√			<p>The Board of Directors has adopted an Investor Relations policy to ensure that the listed owner companies' disclosure obligations are complied with.</p> <p>Because of the limited complexity of the</p>

Recommendation	Complied with	Partly complied	Not complied with	The company partly complies with/does not comply with the recommendation for the following reason:
cies.				Group's tax affairs, the Group has not adopted a tax policy.
1.1.3. The Committee recommends that the company publish quarterly reports.	√			The Group publishes quarterly reports.
<i>1.2. Annual General Meeting</i>				
1.2.1. The Committee recommends that in organising the company's general meeting, the board of directors plans the meeting to support active ownership.	√			The general meeting supports the two owner companies' exercise of active ownership.
1.2.2. The Committee recommends that proxies or votes by post for the general meeting allow shareholders to consider each individual item on the agenda.	√			Voting rights may be exercised by proxy at the general meeting, for each individual agenda item.
<i>1.3. Takeover bids</i>				
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. 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.			√	Due to its ownership structure, the Group does not have a formal contingency procedure. Højgaard Holding A/S (54%) and Monberg & Thorsen A/S (46%) have a contingency procedure for takeover bids and have also entered into a shareholders' agreement relating to the ownership of the shares in the Group. The completion of a takeover bid for one of the owner companies may result in changes in the ownership and other terms and conditions related to the companies' shareholdings in the Group, but as neither owner has control, this will require virtual unanimity/OVERVEJENDE ENIGHED#? between the

Recommendation	Complied with	Partly complied	Not complied with	The company partly complies with/does not comply with the recommendation for the following reason:
				owners.
2. Tasks and responsibilities of the board of directors				
<i>2.1 Overall tasks and responsibilities</i>				
2.1.1. The Committee recommends that at least once annually the board of directors consider the matters that should be included in the board's performance of its work.	√			At least once a year, the Board of Directors defines its most important tasks related to the financial and managerial control of the Group, including how to supervise the work of the Executive Board and ensure the auditor's independence.
2.1.2. The Committee recommends 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.	√			The Board of Directors assesses and determines the overall strategy at least once a year with a view to ensuring value creation in the Group. In this connection the Board, in cooperation with the Executive Board, assesses whether the necessary skills and financial resources are in place to enable the Group to achieve its targets.
2.1.3. The Committee recommends 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.	√			The Board of Directors continuously assesses the Group's capital structure. These considerations are reported on in the annual report.
2.1.4. The Committee recommends that the board of di-	√			The Board of Directors reviews and approves

Recommendation	Complied with	Partly complied	Not complied with	The company partly complies with/does not comply with the recommendation for the following reason:
<p>rectors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board's reporting to the board of directors.</p>				<p>the rules of procedure for the Executive Board annually. This includes establishing requirements for the Executive Board's timely, accurate and adequate reporting to the Board of Directors and for any other communication between the Executive Board and the Board of Directors.</p>
<p>2.1.5. The Committee recommends that at least once annually the board of directors discuss the composition, developments, risks and succession plans of the executive board.</p>	√			<p>Once a year, the Board of Directors discusses the composition, development, risks and succession plans of the Executive Board.</p>
<p><i>2.2. Corporate social responsibility</i></p>				
<p>2.2.1. The Committee recommends that the board of directors adopt policies on corporate social responsibility.</p>	√			<p>In its CSR policy, the Group confirms its commitment to conducting its activities in an ethical manner. Policies and performance are described in the CSR report, which is presented in accordance with the principles in Global Reporting Initiative. See the 2018 report at mthgroup.eu/Responsibility/CSR/mth.dk/csr2018#. The Group has also joined the UN Global Compact and signed Charter for corporate social responsibility in the property, building and civil engineering industry in Denmark.</p>
<p><i>2.3. Chairman and vice-chairman of the board of directors</i></p>				
<p>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 chair-</p>	√			<p>The Board of Directors appoints a Chairman and a Deputy Chairman. The Deputy Chairman acts as Chairman in the Chairman's absence</p>

Recommendation	Complied with	Partly complied	Not complied with	The company partly complies with/does not comply with the recommendation for the following reason:
man's absence, and who will also act as effective sparring partner for the chairman.				and also acts as a sounding board for the Chairman. The tasks, duties and responsibilities of the Chairman and Deputy Chairman are described in the Board's rules of procedure.
2.3.2. The Committee recommends 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 day-to-day management and the expected duration hereof should be publicly announced.	√			If the Chairman or other members perform(s) special operating/SLETTES#? tasks, this will be disclosed in a company announcement. In connection with the change on the Executive Board in August 2018, it was announced that the company would be managed by the chairmanship, in close cooperation with Group management, until the new President & CEO took up his role.
3. Composition and organisation of the board of directors				
<i>3.1. Composition</i>				
3.1.1. The Committee recommends that the board of directors annually evaluates and in the management commentary, account for <ul style="list-style-type: none"> • the competencies that it must have to best perform its tasks, • the composition of the board of directors, and • the special skills of each member. 	√			In connection with the election of Board members, the Board recommends to the owners the skills the Board should have to best perform its tasks. The special skills of the Board of Directors and the individual members are described in the annual report.
3.1.2. The Committee recommends that the board of directors annually discuss the company's activities to en-	√			The Board of Directors discusses the Group's activities once a year to ensure diversity on management, including equal opportunities for

Recommendation	Complied with	Partly complied	Not complied with	The company partly complies with/does not comply with the recommendation for the following reason:
sure relevant diversity at management levels and prepare and adopt a policy on diversity. The policy should be published on the company's website.				both genders, and the Board sets specific targets for the gender composition in the Group. The Group reports on targets and performance of same in its CSR report and its equal opportunities policy published at www.mth.com#? .
3.1.3. The Committee recommends 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.	√			The Board of Directors is elected by the two owner companies at the general meeting following recommendations by the Group's Board of Directors and on the basis of the skills the Board of Directors should have to best perform its tasks. The need for integration of new talent and diversity in relation to, for example, experience, gender and age is also taken into consideration in the recommendation.
<p>3.1.4. The Committee recommends 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 the nominated candidates, including information about the candidates'</p> <ul style="list-style-type: none"> • other executive functions, including positions on executive boards, boards of directors and supervisory boards, including board committees, in Danish and foreign enterprises, and • demanding organisational tasks <p>Furthermore, it should be indicated if the candidates to the board of directors are considered independent.</p>	√			A thorough analysis and selection of the candidates proposed is performed. In connection with the notice of general meeting a detailed description of the candidates is provided.
3.1.5. The Committee recommends that members of the	√			No existing or former executive officers/DIREKTØRER#? of the Group are mem-

Recommendation	Complied with	Partly complied	Not complied with	The company partly complies with/does not comply with the recommendation for the following reason:
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.				bers of the Board of Directors.
3.1.6. 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	√			Members elected at the general meeting are elected for a one-year term, but can stand for re-election.
3.2. Independence of the board of directors				
<p>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.</p> <p>To be considered independent, this person may not:</p> <ul style="list-style-type: none"> • 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, • 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, • represent or be associated with a controlling shareholder, • within the past year, have had significant business relations (e.g. personally or indirectly as partner or employee, shareholder, customer, supplier or 			√	<p>The members of the Board elected at the general meeting are elected by the two owner companies (controlling shareholders) and are thus not independent according to the definition in the recommendations to the effect that members must not represent or be associated with a controlling shareholder.</p> <p>The members of the Board elected at the general meeting satisfy the independence criteria in all other respects.</p>

Recommendation	Complied with	Partly complied	Not complied with	The company partly complies with/does not comply with the recommendation for the following reason:
<p>member of management in companies with corresponding connection) with the company, a subsidiary or an associated company,</p> <ul style="list-style-type: none"> • 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, • be part of the executive management in a company with cross-management representation in the company • have been member of the board of directors for more than 12 years, or • be a close relative of persons who are not considered independent. <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><i>3.3. Members of the board of directors and the number of other management functions</i></p>				
<p>3.3.1. The Committee recommends 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 than he/she can complete at a satisfactory level for the company.</p>	√			<p>The members of the Board regularly assess the expected time commitment for external appointments and do not take on more appointments than they can manage satisfactorily for the company.</p>
<p>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:</p>	√			<p>The annual report reports on the composition of the Board of Directors and each member's position, age, gender, special skills, independence, the date on which the member joined</p>

Recommendation	Complied with	Partly complied	Not complied with	The company partly complies with/does not comply with the recommendation for the following reason:
<ul style="list-style-type: none"> • the position of the relevant person, • the age and gender of the person in question, • the person's competencies and qualifications that are relevant to the company, • whether the member is considered to be independent, • the member's date of appointment to the board of directors, • expiry of the current election term, • the member's participation in the meetings of the board of directors and committee meetings, • other management functions, including memberships in executive boards, boards of directors, and supervisory boards, including board committees in Danish and foreign enterprises demanding organisational tasks, and • 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. 				the board, election term, external appointments, attendance at meetings, and shareholdings in the two owner companies.
3.3.3. The Committee recommends 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.	√			The annual self evaluation also includes an assessment of the individual member's capacity based on the number of external appointments and the level and complexity of those appointments.
3.4. Board committees				
3.4.1. The Committee recommends that the company	√			The terms of reference of the Audit Committee

Recommendation	Complied with	Partly complied	Not complied with	The company partly complies with/does not comply with the recommendation for the following reason:
<p>publish the following on the company's website:</p> <ul style="list-style-type: none"> 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 regarding which members are independent members and which members have special competencies. 				<p>can be viewed at https://mthgroup.eu/Responsibility/Corporate-governance Information on Committee meetings and members is provided in this report and the annual report.</p>
<p>3.4.2. The Committee recommends that a majority of the members of a board committee be independent.</p>			√	<p>The members of the Board elected at the general meeting are elected by the two owners and are thus not independent, see 3.2.1.</p>
<p>3.4.3. The Committee recommends that the members of the board of directors set up among its members an <u>audit committee</u> and that a chairman is appointed who is not the chairman of the board of directors.</p>	√			<p>The Board of Directors has established an Audit Committee that assists the Board in overseeing the financial reporting process and reviewing the adequacy and effectiveness of internal control systems. The Chairman of the Committee has been appointed on the basis of her special expertise and experience in financial reporting and accountancy and audit matters in listed companies. The Chairman of the Board of Directors is not a member of the Audit Committee.</p>
<p>3.4.4. The Committee recommends 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"> significant accounting policies, 	√			<p>The Audit Committee assists the Board of Directors in overseeing the financial reporting process and reviewing the adequacy and effectiveness of the internal control systems. The Audit Committee also helps the Board of Directors oversee that applicable legislation is</p>

Recommendation	Complied with	Partly complied	Not complied with	The company partly complies with/does not comply with the recommendation for the following reason:
<ul style="list-style-type: none"> significant accounting estimates, related party transactions, and uncertainties and risks, including in relation to the outlook for the current year. 				being complied with, that the accounting policies are relevant and current, and the manner in which material and exceptional items are accounted for.
<p>3.4.5. The Committee recommends that the audit committee:</p> <ul style="list-style-type: none"> annually assess the need for an internal audit function, and, in such 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, ensure that if an internal audit has been established, a description of its functions is approved by the board of directors, monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function 	√			The Audit Committee assesses the need for an internal audit function annually.
<p>3.4.6. The Committee recommends 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"> 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 the specific position, as well as assessing the competencies, knowledge and experience found in the two governing bodies, 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, 		√		The Board of Directors has not appointed a nomination committee, but these tasks have in practice been taken care of by the chairmanship.

Recommendation	Complied with	Partly complied	Not complied with	The company partly complies with/does not comply with the recommendation for the following reason:
<ul style="list-style-type: none"> annually assessing the competencies, knowledge, experience and succession of the individual members of management, and report to the board of directors in this respect, recommending candidates for the board of directors and the executive board, and proposing an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes 				
<p>3.4.7. The Committee recommends 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"> recommending the remuneration policy (including the "General Guidelines for incentivebased Remuneration") to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting, 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, recommending a remuneration policy applicable for the company in general, and assisting with the preparation of the annual remuneration report. 		√		<p>The Board of Directors has not appointed a remuneration committee, but these tasks have in practice been taken care of by the chairmanship.</p> <p>The remuneration policy for the Board of Directors and the Executive Board is presented to and approved by the general meeting annually. The policy includes a description of the components of the remuneration, the reasons for selecting each component and the criteria on which the balance between the components is based. The policy can be viewed at https://mthgroup.eu/Responsibility/Corporate-governance.</p> <p>The Group has decided not to prepare a formal remuneration report for 2018 in view of the changes in governance and legal structures that are expected to be implemented in connection with the expected merger of the owner companies in April 2019.</p>

Recommendation	Complied with	Partly complied	Not complied with	The company partly complies with/does not comply with the recommendation for the following reason:
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.		√		In some instances, the Committee may use the same adviser as the Executive Board.
<i>3.5. Evaluation of the performance of the board of directors and the executive board</i>				
<p>3.5.1. The Committee recommends that the board of directors establishes an 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"> • contribution and results, • cooperation with the executive board, • the chairman’s leadership of the board of directors, • the composition of the board of directors (including competencies, diversity and the number of members), • the work in the committees and the committee structure, and • the organisation of work and quality of the material that is submitted to the board of directors. <p>The evaluation procedure and the overall findings should be described in the management’s review and on the company’s website. The chairman should report on the board evaluation, including the process and overall findings at the general meeting ahead of the election of members to the board of</p>	√			<p>The Board has set up a formalised, recurring procedure for evaluating the contributions and performance of the full Board, the individual members and the Executive Board. At least once a year ahead of the Annual General Meeting, the Board of Directors assesses whether the number of members is appropriate in relation partly to the Group’s current and expected needs, and partly to the opportunities for constructive debate and an effective decision-making process in which all members are given the opportunity to participate actively.</p> <p>External assistance is involved every three years.</p>

Recommendation	Complied with	Partly complied	Not complied with	The company partly complies with/does not comply with the recommendation for the following reason:
directors.				
3.5.2. The Committee recommends 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.	√			See 3.5.1. An evaluation is carried out annually at a meeting of the Board of Directors.
3.5.3. 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.	√			See the above and 3.5.1.
4. Remuneration of management				
<i>4.1. Form and content of the remuneration policy</i>				
4.1.1. The Committee recommends that the board of directors prepare a remuneration policy for the board of directors and the executive board, which includes <ul style="list-style-type: none"> • 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, 		√		The remuneration policy for the board of directors and the executive board is presented to and approved by the general meeting. The policy includes a description of the components of the remuneration, the reasons for selecting each component and the criteria on which the balance between the individual components is based. The remuneration policy for 2018 can be viewed at

Recommendation	Complied with	Partly complied	Not complied with	The company partly complies with/does not comply with the recommendation for the following reason:
<ul style="list-style-type: none"> • a description of the criteria that form the balance between the individual components of the remuneration, and • an explanation of the correlation between the remuneration policy and the company's long-term value creation and relevant related goals. <p>The remuneration policy should be approved by the general meeting at least every fourth year and upon any material amendments and published on the company's website.</p>				<p>https://mthgroup.eu/Responsibility/Corporate-governance</p> <p>Because of the planned merger of the owner companies in 2019, the remuneration policy does not describe the targets for the long-term value creation, as the board of directors of the continuing owner company is expected to take a position on such targets at a later date.</p>
<p>4.1.2. The Committee recommends that, if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> • limits be set on the variable components of the total remuneration package, • 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, • clarity be established about performance criteria and measurability for the award of variable components, • it should be ensured that variable remuneration not only consists of short-term remuneration components, and that long-term components of remuneration must have a vesting or maturity period of at least three years, and • it is ensured that the company has the ability to reclaim, in full or in part, variable components of remuneration that were paid on the 		√		<p>The remuneration policy for 2018 has been published at https://mthgroup.eu/Responsibility/Corporate-governance</p> <p>The existing long-term warrant programme has had a maturity period of three years. This programme will not be continued, but, after the planned merger, is expected to be replaced by a new programme that complies with the recommendations.</p>

Recommendation	Complied with	Partly complied	Not complied with	The company partly complies with/does not comply with the recommendation for the following reason:
basis of information, which subsequently are found to be incorrect.				
4.1.3. The Committee recommends that remuneration of members of the board of directors does not include share options or warrants.	√			The members of the Board of Directors do not receive remuneration in the form of share options or warrants, but receive fixed remuneration.
4.1.4. The Committee recommends 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, ie the options should be granted periodically.		√		The original programme had a vesting period of three years, but the vesting period for the grant in 2018 was shorter.
4.1.5. The Committee recommends that the total value of remuneration relating to the notice period, including severance pay, do not exceed two years of remuneration, including all components of the remuneration.	√			Severance pay amounts to max. two years' remuneration, including all components of remuneration. On appointment or removal of members of the Executive Board, both the chairman and the Deputy Chairman must vote in favour.
4.2. Disclosure of remuneration				
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 remuneration policy is presented to and approved by the general meeting.
4.2.2. The Committee recommends that shareholders at the general meeting consider proposals for approval of remuneration for the board of directors for the current financial year.	√			Members of the Board of Directors receive annual remuneration, which is determined by the general meeting.

Recommendation	Complied with	Partly complied	Not complied with	The company partly complies with/does not comply with the recommendation for the following reason:
<p>4.2.3. The Committee recommends 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 last 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. The remuneration report should be published on the company's website.</p>			√	The Group has decided not to prepare a remuneration report for 2018 in view of the changes in governance and legal structure that are expected to be implemented in connection with the expected merger of the owner companies in April 2019.
<h2>5. Financial reporting, risk management and audits</h2>				
<h3>5.1. Identification of risks and transparency about other relevant information</h3>				
<p>5.1.1. The Committee recommends 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 well as for the company's risk management.</p>	√			The annual report includes a risk section in which material risks are analysed. Distribution of responsibilities, control environment and control activities are described at the start of that section.

Recommendation	Complied with	Partly complied	Not complied with	The company partly complies with/does not comply with the recommendation for the following reason:
<i>5.2. Whistleblower scheme</i>				
5.2.1. The Committee recommends that the board of directors establish a whistleblower scheme for expedient and confidential notification of serious wrongdoing or suspicions thereof.	√			The Group's whistleblowing system enables employees and others to report actual or suspected non-compliances with the Group's policies or unlawful acts such as fraud, bribery or corruption. Reports on actual or suspected wrongdoing are made to an independent law firm, which considers the facts and documentation carefully and without any interference before management makes a decision on any consequences.
<i>5.3. Contact to auditor</i>				
5.3.1. The Committee recommends 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.	√			The Audit Committee assesses the auditor appointed at the general meeting on a continuous basis and makes recommendations to the Board of Directors with respect to the auditor to be recommended for appointment at the general meeting. The Board meets with the auditor at least once a year, without the Executive Board present.
5.3.2. The Committee recommends that the audit agreement and auditors fee be agreed by the board of directors and the auditor elected by the general meeting based on a recommendation from the audit committee.	√			Agreements on audit services and fees for same are entered into between the Board and the auditors based on the Audit Committee's recommendations.