

Reporting on the Danish Recommendations on Corporate Governance for 2022 MT HØJGAARD HOLDING A/S

This report describes MT Højgaard Holding A/S' ("MTHH") management structure and the key elements of the company's internal control and risk management systems related to financial reporting. The report also describes MTHH's position on the Danish Recommendations on Corporate Governance, which can be viewed at corporategovernance.dk/english and have been implemented in Nasdaq Copenhagen's Rules for Issuers of Shares.

February 2023

MT HØJGAARD HOLDING

Management structure

The shareholders 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 MTHH'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 of Directors of MTHH has seven members elected by the shareholders at the general meeting. These members are elected for a one-year term and can stand for re-election. 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 four times a year. Besides the members of the Board, who are elected at the general meeting, the Board consist of 3 members elected by the employees for a four-year term.

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, sustainability, 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 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 Anders Lindberg (Chairman) and Pernille Fabricius.

The Board of Directors of MTHH has also established a Nomination Committee that is charged with preparing decisions to be made by the Board of Directors relating to skills and the compositions of the Board of Directors and the Executive Board. The members are Carsten Dilling (Chairman) and Morten Hansen.

Lastly, the Board of Directors has established a Remuneration Committee that is charged with preparing decisions to be made by the Board of Directors relating to remuneration policy, guidelines for incentive pay and pay and terms of employment for the Executive Board and the Board of Directors. The members are Carsten Dilling (Chairman) and Morten Hansen.

The terms of reference for the Committees can be downloaded from MTHH's website.

Executive Board

The Executive Board of MTHH 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.

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Internal control and risk management

MTHH'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 MTHH'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 MTHH'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 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 under 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 participates in material project reviews in order to verify that the reporting of income and expenses on projects presents a true and fair view.

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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 when deemed appropriate.

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 communications

MTHH maintain 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 MTHH'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 laws are being complied with, that the accounting policies are relevant and current, and the manner in which material and exceptional items are accounted for.

MTHH uses financial, reporting and control systems to monitor the Group's 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.

MTHH 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.

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Danish Recommendations on Corporate Governance

Recommendation	The company <u>complies</u>	The company <u>explains</u>	
		<i>why</i>	<i>how</i>
1. Interaction with the company's shareholders, investors and other stakeholders			
1.1. Communication with the company's shareholders, investors and other stakeholders			
1.1.1. The Committee recommends 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.	Comply		
1.1.2. The Committee recommends 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 are included in the company's considerations and that such policies are made available on the company's website.	Comply		
1.1.3. The Committee recommends that the company publishes quarterly reports.	Comply		
1.2. The general meeting			
1.2.1. The Committee recommends 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.	Comply		

Recommendation	The company <u>complies</u>	The company <u>explains</u>	
		<i>why</i>	<i>how</i>
The Committee recommends that the board of directors ensures that shareholders can observe the general meeting via webcast or other digital transmission.			
1.2.2. The Committee recommends that proxies and postal votes to be used at the general meeting enable the shareholders to consider each individual item on the agenda.	Comply		
1.3. Takeover bids			
1.3.1. The Committee recommends 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 the shareholders from deciding on the takeover bid, without the approval of the general meeting.	Comply		
1.4. Corporate Social Responsibility			
1.4.1. The Committee recommends 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.	Comply		
1.4.2. The Committee recommends that the board of directors adopts a tax policy to be made available on the company’s website.	Comply		

Recommendation	The company <u>complies</u>	The company <u>explains</u>	
		<i>why</i>	<i>how</i>
2. The duties and responsibilities of the board of directors			
2.1. Overall tasks and responsibilities			
2.1.1. The Committee recommends 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.	Comply		
2.1.2. The Committee recommends 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.	Comply		
2.1.3. The Committee recommends 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.	Comply		
2.1.4. The Committee recommends 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.	Comply		
2.2. Members of the board of directors			

Recommendation	The company <u>complies</u>	The company <u>explains</u>	
		<i>why</i>	<i>how</i>
<p>2.2.1. The Committee recommends 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.</p>	Comply		
<p>2.2.2. The Committee recommends 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, and that the members' special knowledge and qualifications are applied in the best possible manner.</p>	Comply		
<p>2.2.3. The Committee recommends 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>	Comply		
<h3>3. The composition, organisation and evaluation of the board of directors</h3>			
<h4>3.1. Composition</h4>			
<p>3.1.1. The Committee recommends that the board of directors on an annual basis reviews and in the management commentary and/or on the company's website states</p>	Comply		

Recommendation	The company <u>complies</u>	The company <u>explains</u>	
		<i>why</i>	<i>how</i>
<ul style="list-style-type: none"> • which qualifications the board of directors should possess, collectively and individually, in order to perform its duties in the best possible manner, and • the composition of and diversity on the board of directors. 			
<p>3.1.2. The Committee recommends 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>	Comply		
<p>3.1.3. The committee recommends 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>	Comply		
<p>3.1.4. The Committee recommends 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"> • qualifications, • other managerial duties in commercial undertakings, including board committees, • demanding organisational assignments and • independence. 	Comply		
<p>3.1.5. The Committee recommends that members to the board of directors elected by the general meeting stand for election every</p>	Comply		

Recommendation	The company <u>complies</u>		The company <u>explains</u>	
			<i>why</i>	<i>how</i>
year at the annual general meeting, and that the members are nominated and elected individually.				
3.2. The board of director's independence				
<p>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.</p> <p>In order to be independent, the member in question may not:</p> <ul style="list-style-type: none"> • 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, • be a CEO in a company with cross-memberships in the company's management, • have been a member of the board of directors for more than twelve years, or 	Comply			

Recommendation	The company <u>complies</u>	The company <u>explains</u>	
		<i>why</i>	<i>how</i>
<ul style="list-style-type: none"> be closely related to persons, who are not independent, cf. the above-stated criteria. <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>3.2.2. The Committee recommends 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>	Does not comply	<p>Former CEO, Morten Hansen, stepped down prior to the general meeting in 2022.</p> <p>Based on a proposal from the Board of Directors Morten Hansen was elected to the Board of Directors at the general meeting in 2022.</p> <p>On this basis Morten Hansen is not independent.</p>	<p>The Board of Directors had considered this thoroughly and assessed that it was in the best interest of MTHH that Morten Hansen's insights in MTHH and competences were maintained with MTHH.</p>
3.3. Members of the board of directors and the number of other managerial duties			
<p>3.3.1. The Committee recommends 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>	Comply		
<p>3.3.2. The Committee recommends that the management commentary, in addition to the statutory requirements, contains the</p>	Comply		

Recommendation	The company <u>complies</u>		The company <u>explains</u>	
			<i>why</i>	<i>how</i>
<p>following information on the individual members of the board of directors:</p> <ul style="list-style-type: none"> • 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. 				
3.4. Board committees				
<p>3.4.1. The Committee recommends that the management describes in the management commentary:</p> <ul style="list-style-type: none"> • 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. <p>In addition, it is recommended that the board committees' terms of reference are published on the company's website.</p>	Comply			

Recommendation	The company <u>complies</u>		The company <u>explains</u>	
			<i>why</i>	<i>how</i>
<p>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.</p>	Does not comply		<p>Morten Hansen is, as described earlier, not independent. The members of the Nomination Committee and the Remuneration Committee are Carsten Dilling and Morten Hansen.</p> <p>Since the majority of the members are not independent MTHH does not comply with this recommendation.</p>	<p>The Board of Directors has considered the recommendation and assessed that due to Morten Hansen's position as Deputy Chairman it is appropriate that Morten Hansen is a member of the Nomination Committee and the Remuneration Committee.</p>
<p>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:</p> <ul style="list-style-type: none"> • supervising the correctness of the published financial information, including accounting practices in significant areas, significant accounting estimates and related party transactions, • 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, 	Comply			

Recommendation	The company <u>complies</u>	The company <u>explains</u>	
		<i>why</i>	<i>how</i>
<ul style="list-style-type: none"> 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. <p>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:</p> <ul style="list-style-type: none"> 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. 			
<p>3.4.4. The Committee recommends that the board of directors establishes a nomination committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> 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, 	Comply		

Recommendation	The company <u>complies</u>	The company <u>explains</u>	
		<i>why</i>	<i>how</i>
<ul style="list-style-type: none"> • 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. 			
<p>3.4.5. The Committee recommends that the board of directors establishes a remuneration committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> • 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, 	Comply		

Recommendation	The company <u>complies</u>	The company <u>explains</u>	
		<i>why</i>	<i>how</i>
<ul style="list-style-type: none"> 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. 			
3.5. Evaluation of the board of directors and the executive management			
<p>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:</p> <ul style="list-style-type: none"> the composition of the board of directors with focus on competencies and diversity the board of directors and the individual member's contribution and results, the cooperation on the board of directors and between the board of directors and the executive management, the chairperson's leadership of the board of directors, the committee structure and the work in the committees, the organisation of the work of the board of directors and the quality of the material provided to the board of directors, and the board members' preparation for and active participation in the meetings of the board of directors. 	Comply		

Recommendation	The company <u>complies</u>	The company <u>explains</u>	
		<i>why</i>	<i>how</i>
<p>3.5.2. The Committee recommends 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>	Comply		
<p>3.5.3. The Committee recommends 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>	Comply		
<h2>4. Remuneration of management</h2>			
<h3>4.1. Remuneration of the board of directors and the executive management</h3>			
<p>4.1.1. The Committee recommends 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.</p>	Comply		
<p>4.1.2. The Committee recommends 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.</p>	Comply		

Recommendation	The company <u>complies</u>	The company <u>explains</u>	
		<i>why</i>	<i>how</i>
<p>4.1.3. The Committee recommends 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.</p>	Comply		
<p>4.1.4. The Committee recommends 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.</p>	Comply		
<p>4.1.5. The Committee recommends that members of the board of directors are not remunerated with share options and warrants.</p>	Comply		
<p>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.</p>	Comply		
<h2>5. Risk management</h2>			
<h3>5.1. Identification of risks and openness in respect of additional information</h3>			
<p>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</p>	Comply		

Recommendation	The company <u>complies</u>	The company <u>explains</u>	
		<i>why</i>	<i>how</i>
commentary give an account of these risks and the company's risk management.			
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.	Comply		