

Corporate Governance

Gabriel Holding A/S

November 2018

Gabriel Holding A/S has prepared the statutory statement on corporate governance as per section 107b of the Danish Financial Statements Act. The statement covers the company's work with Recommendations on corporate governance, a description of the main elements in the Group's internal control and risk management system in connection with the presentation of the accounts, and a description of the Group's top management organs and their composition.

This statement concerns the accounting period 01.10.2017 – 30.09.2018.

Recommendation	The company follows	The company partly follows	The company does not follow	Explanation of partly follows/does not follow the recommendation
1. The company's communication and interaction with its investors and other partners				
<i>1.1. Dialogue between the company, shareholders and other partners</i>				
1.1.1. It is recommended that the board of directors ensures an on-going dialogue between the company and its shareholders such that the shareholders gain a relevant insight into the company's potential and its policies, and the board of directors is aware of shareholders' attitudes, interests and points of view in relation to the company.	X			
1.1.2. It is recommended that the board of directors adopts policies for the company's relations with its stakeholders, including shareholders and other investors, and ensures that the stakeholders' interests are respected in accordance with the company's policies thereon.	X			
1.1.3. It is recommended that the company publish quarterly reports.	X			
<i>1.2. General meeting</i>				

Recommendation	The company follows	The company partly follows	The company does not follow	Explanation of partly follows/does not follow the recommendation
1.2.1. It is recommended that when organising the company's general meeting, the board of directors plans its arrangement so that it supports active ownership.	X			
1.2.2. It is recommended that proxies be used for the general meeting to give shareholders the possibility of expressing an opinion on every single point on the agenda.	X			
<i>1.3. Takeover bids</i>				
1.3.1. It is recommended that the company establish an action plan for takeover bids from the moment the board of directors has a justifiable expectation that a takeover bid will be made. The action plan should specify that the board of directors may not, without the approval 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.	X			
2. The duties and responsibility of the board of directors				
<i>2.1. General duties and responsibility</i>				
2.1.1. It is recommended that at least once a year, the board of directors decide on the matters to be included in the performance of its duties.	X			
2.1.2. It is recommended that at least once a year, the board of directors decide on the company's general strategy in order to ensure value creation in the company.	X			

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2.1.3. It is recommended that the board of directors ensures that the company has a capital and share structure which supports the company's strategy and guarantees that long-term value creation is in the shareholders' and the company's interest, and provides an account of this in the management report in the company's annual report and/or on the company's website.	X			
2.1.4. It is recommended that the board of directors annually reviews and approves guidelines for the executive board, including specifying requirements for the executive board's timely, accurate and adequate reporting to the board.	X			
2.1.5. It is recommended that the board of directors discuss executive board's composition and development, risks and succession plans at least once a year.	X			
2.1.6. It is recommended that the board of directors discuss the company's activities annually to ensure a diversity in the company's levels of management which is relevant for the company, including specifying concrete goals, and, in the management report in the company's annual report and/or on the company's website, explaining both its goal and the status of the latter's fulfilment.	X			
<i>2.2. Social responsibility</i>				
2.2.1. It is recommended that the board of directors adopt policies for the company's social responsibility.	X			
<i>2.3. The chairman and vice-chairman of the board of directors</i>				

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2.3.1. It is recommended that a vice-chairman be elected to the board to act in the event of the chairman's absence and in general to be an effective sparring partner for the chairman.	X			
2.3.2. It is recommended that if the board of directors requests its chairman to perform special managerial tasks for the company as an exceptional case, including short-term participation in the daily management, there should be an appropriate decision to this effect to ensure that the board of directors retains its independent general managerial and control function. Decisions on participation in the daily management by the chairman and the expected duration thereof should be advised in an announcement to the stock exchange.	X			
3. The composition and organisation of the board of directors				
<i>3.1. Composition</i>				
3.1.1. It is recommended that the board of directors provide annual statements of <ul style="list-style-type: none"> • the expertise required of the board of directors for the best possible performance of its duties, • the composition of the board of directors, and • the individual members' special areas of expertise. 	X			Gabriel complies with the recommendation but does not publish the statement.
3.1.2. It is recommended that the board of directors ensures a formal, thorough and, for its members, transparent process for the selection and recommendation of candidates for the board of directors which is approved by the full board. In evaluating the composition and recommendation of new candidates, account	X			

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should be taken of the need for renewal and the need for diversity in relation to age, international experience and gender.				
<p>3.1.3. It is recommended that together with the notice of the general meeting at which elections to the board of directors are on the agenda, the following descriptions of the proposed candidates' expertise and information on the candidates over and above that required by law be included:</p> <ul style="list-style-type: none"> ● other managerial activities including posts in executive board, boards of directors and supervisory committees, including management committees in foreign companies ● demanding organisational duties, and advising ● whether candidates for the board of directors are deemed to be independent. 	X			
3.1.4. It is recommended that the company set an age limit in its articles of association for members of the board of directors.			X	The company has not specified an age limit for members of its board of directors.
3.1.5. It is recommended that the board members elected by the general meeting stand for re-election each year at the annual general meeting.	X			
<i>3.2. Independence of the board of directors</i>				
3.2.1. It is recommended that at least half the members of the board of directors elected by the general meeting be independent so that the board of directors can act independently of special interests.	X			Two of Gabriel's four members of the board of directors elected by the general meeting is

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<p>To be independent, the person in question may not:</p> <ul style="list-style-type: none"> • be, or have been within the past five years, a member of the executive board or a managerial employee in the company, a subsidiary or an affiliated company • have received major payments from the company/group, a subsidiary or an affiliated company in a capacity other than as a member of the board of directors within the last five years, • represent a controlling shareholder's interests. • within the last year, have had a significant business relationship (e.g. personally or indirectly as a partner or employee, shareholder, customer, supplier or member of management in companies with an equivalent connection) with the company, a subsidiary or an affiliated company, • be, or have been within the last three years, an employee or partner of the external auditor, • be a manager in a company where there is cross-managerial representation with the company, • have been a member of the board of directors for more than 12 years, or • be closely related to persons not considered independent. 				<p>independent in relation to the Group:</p> <p>Jørgen Kjær Jakobsen, chairman: Not independent, former member of executive board.</p> <p>Hans O. Damgaard, Vice-chairman: Independent.</p> <p>Søren B. Lauritsen, member of the board of directors: Not independent, closely related to the former chairman of the board of directors.</p> <p>Pernille Fabricius, member of the board of directors: Independent.</p>
<p><i>3.3. Members of the board of directors and the number of other managerial duties</i></p>				
<p>3.3.1. It is recommended that each individual member of the board of directors assess how much time must be spent on the work in question so that the member</p>	X			

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does not assume more activities than that each individual activity can be performed in a manner satisfactory for the company.				
<p>3.3.2. It is recommended that apart from the content specified by law, the management report include the following information on members of the board of directors:</p> <ul style="list-style-type: none"> • the member’s position, • the member’s age and gender, • whether the member is considered independent, • the date of the member’s joining the board of directors, • the date of expiration of the current term, • the person’s other managerial activities, including posts in executive boards, boards of directors and supervisory committees, including management committees, in foreign companies, and • demanding organisational duties, and • the number of shares, options, warrants and similar in the company and companies in the same group as that owned by the member, and the changes in the member’s portfolio of the specified securities during the financial year. 		X		The company does not publish the number of shares etc. owned by the individual member of the board of directors. The company consider this information to be personal and not of relevance for the valuation of the goals and activities and has therefore not required the members to publicise this information.
<i>3.4. Management committee(s)</i>				
<p>3.4.1. It is recommended that the company publish on its website:</p> <ul style="list-style-type: none"> • the managerial committees’ terms of reference, • the committees’ most important activities during the year and the number of meetings in each committee, and 			X	Given the company’s size and complexity, Gabriel has established an audit committee, an acquisition committee and a committee to handle the

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<ul style="list-style-type: none"> the names of the members of the individual committee, including the committees' chairmen, and information on who are the independent members and who have special qualifications. 				expected sale of Gabriel Ejendomme A/S, while no occasion has been found to use other management committees.
3.4.2. It is recommended that the majority of the members on a management committee be independent.			X	See point 3.4.1.
3.4.3. It is recommended that the board of directors appoint an actual <u>audit committee</u> comprised such that <ul style="list-style-type: none"> the chairman of the board of directors is not the chairman of the audit committee, and that the committee collectively possesses a level of expert knowledge and experience such that it possesses an up-to-date understanding of and experience with financial accounting and auditing matters in companies whose shares are traded on a regulated market. 	X			
3.4.4. It is recommended that before approval of the annual report and other financial reports, the audit committee monitors and reports to the board of directors on: <ul style="list-style-type: none"> accounting policies in the most important areas, major accounting estimates, transactions with related parties, and uncertainties and risks, including in relation to the expectations for the current year. 	X			

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<p>3.4.5. It is recommended that the audit committee:</p> <ul style="list-style-type: none"> • makes an annual assessment of the need for an internal audit, and if so, makes recommendations on the selection, appointment and dismissal of the head of any internal audit, and the internal audit's budget, and • monitors executive board's following up on the internal audit's conclusions and recommendations. 	X			
<p>3.4.6. It is recommended that the board of directors appoint a <u>nomination committee</u>, chaired by the chairman of the board of directors, with at least the following preparatory duties:</p> <ul style="list-style-type: none"> • describe the qualifications required in the board of directors and executive board and for a given position, specify the estimated time required for the duties of the position, and assess the expertise, knowledge and experience in the two management organs, • make an annual assessment of the board of directors' and executive board's structure, size, composition and results, and recommend any changes to the board of directors, • make an annual assessment of the expertise, knowledge and experience of the individual members of management, and report to the board of directors thereon, • consider proposals from relevant persons, including shareholders and members of the board of directors and the executive board, for candidates for managerial positions for both boards, and • offer the board of directors an action plan for the future composition of the latter organ, including proposals for concrete changes. 			X	See point 3.4.1.

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<p>3.4.7. It is recommended that the board of directors appoint a <u>remuneration committee</u> with at least the following preparatory duties:</p> <ul style="list-style-type: none"> • recommend the remuneration policy (including “General guidelines for incentive payments”) to the board of directors and executive board for the former’s approval before approval by the general meeting, • offer proposals to the board of directors on remuneration for members of the latter organ and executive board, and ensure that the remuneration is in accordance with the company’s remuneration policy and assessment of the performance of the person in question. The committee must know the total remuneration received by members of the board of directors and executive board from other companies in the group, and • recommend a remuneration policy which applies generally in the company. 			X	See point 3.4.1.
<p>3.4.8. It is recommended that a remuneration committee does not use the same external advisers as the company’s executive board.</p>			X	See point 3.4.1.
<p><i>3.5. Evaluation of the work of the board of directors and executive board</i></p>				
<p>3.5.1. It is recommended that the board of directors specify an evaluation procedure in which the full board of directors and its individual members’ contributions, results and the partnership with executive board are evaluated annually. Major changes deriving from the evaluation should be stated in the management report or on the company’s website.</p>	X			
<p>3.5.2. It is recommended that in connection with the preparation of the general meeting, the board of directors consider whether the number of members is</p>	X			

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appropriate in relation to the company's needs. Care must be taken to ensure that there can be a constructive debate and an effective decision-making process where all members can participate actively.				
3.5.3. It is recommended that the board of directors evaluate executive board's work and results in accordance with clear pre-set criteria at least once a year.	X			
3.5.4. It is recommended that executive board and the board of directors specify a procedure under which their mutual working relationship is evaluated annually in a formalised dialogue between the chairman of the board of directors and the CEO, and that the result of the evaluation is presented to board of directors.	X			
4. Management's remuneration				
<i>4.1. The form and content of the remuneration policy</i>				
<p>4.1.1. It is recommended that the board of directors prepare a clear and straightforward remuneration policy for the latter organ and executive board containing</p> <ul style="list-style-type: none"> ● a detailed description of the components which enter into the remuneration paid to the board of directors and executive board, ● a reason for the choice of the individual components, and ● a description of the criteria underlying the balance between the individual components of the remuneration. 			X	The remuneration of the board of directors and executive board is made on market terms for a listed company of this size. The board of directors does not find it necessary to specify the order of magnitude of the remuneration paid to the individual member of the latter organ and executive board. The remuneration to the board of directors is informed at

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The remuneration policy should be approved at the general meeting and published on the company's website.				the Annual General Meeting in December.
<p>4.1.2. It is recommended that if the remuneration policy contains variable components,</p> <ul style="list-style-type: none"> • limits should be set for the variable components of the total remuneration, • there should be an appropriate and balanced composition between managerial remuneration, anticipated risks and value creation for the shareholders in the short and long terms, • there should be clarity concerning the criteria for the result and measurability for the implementation of variable components, • there should be criteria which ensure that full or partial earning of a variable component of a remuneration agreement runs over more than one calendar year, and • an agreement should be entered into giving the company the right, in very special cases, to demand full or partial repayment of variable salary components which were paid on the basis of information which is subsequently documented as erroneous. 	X			
4.1.3. It is recommended that members of the board of directors are not remunerated with share options or warrants.	X			
4.1.4. It is recommended that if share-based remuneration is used, the programmes should be revolving, i.e., allocated periodically, and they should have a term of at least three years after allocation.	X			

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4.1.5. It is recommended that agreements on compensation on resignation specify a maximum value equivalent to the last two years' remuneration.	X			
<i>4.2. Information on the remuneration policy</i>				
4.2.1. It is recommended that the company's remuneration policy and compliance with it be explained and justified annually in the chairman's report to the company's general meeting.	X			
4.2.2. It is recommended that the proposed remuneration of the board of directors for the current financial year be approved by the shareholders at the general meeting.	X			
4.2.3. It is recommended that the annual report provide information on the total remuneration received by each individual member of the board of directors and executive board from the company and other companies in the group, including information on the most important content of loyalty and retirement arrangements, and that the relationship to the remuneration policy be explained.			X	See point 4.1.1.
5. Presentation of the accounts, risk management and auditing				
<i>5.1. Identification of risks and openness concerning additional relevant information</i>				
5.1.1. It is recommended that the board of directors decides on, and discusses in the management report, the most important strategic and business risks, risks in	X			

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connection with the presentation of the accounts, and the company's risk management.				
<i>5.2. Whistleblower scheme</i>				
5.2.1. It is recommended , that the board of directors decide whether a whistleblower scheme should be established to enable appropriate and confidential reporting of serious negligence or suspicion thereof.	X			The board of directors has decided that a whistleblower scheme is not currently relevant for Gabriel.
<i>5.3. Contact with the auditor</i>				
5.3.1. It is recommended that the board of directors ensures a regular dialogue and exchange of information between the auditor and the board of directors, including a meeting, at which executive board is not present, between the board of directors and the audit committee with the auditor at least once a year. This also applies to any internal auditor.	X			
5.3.2. It is recommended that the auditing agreement and associated auditor's fee be agreed between the board of directors and the auditor on the basis of a recommendation from the audit committee.	X			

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

Gabriel's supreme governing body has general responsibility for the Group's risk management and internal controls in relation to financial reporting, including compliance with relevant legislation and other financial reporting regulations.

The Group's risk management and internal controls are designed to avoid any material misstatements and omissions during the financial reporting process. The Board of Directors/audit committee and the Executive Board regularly assess risks and internal controls in connection with the Group's activities and any impact on the financial reporting process.

The control environment

Management regularly assesses the organisational structure and staffing of the Group and lays down and approves overall policies, procedures and controls in relation to the financial reporting process, with emphasis on clear reporting policies and segregation of duties.

Risk assessment

When the annual business plan is prepared, the most important business risks are identified, and against this background, management makes an overall risk assessment, including an assessment of the most important risks arising from the financial reporting process. As part of the risk assessment, management considers the risk of fraud and any other improper influence on the financial reporting process annually.

The Group's Risk Management policy strives to eliminate and/or reduce the risks identified on the basis of an assessment of materiality and cost-benefit analyses.

The Board of Directors assesses Gabriel's IT security and insurance coverage annually.

The most important risks arising from the financial reporting process are disclosed in Management's review and notes to the financial statements, to which reference is made.

Control activities

At the board meetings, the Executive Board reports on the status of any risk factors attributable to strategy, organisation or major operations. The Group has a detailed internal reporting system comparing monthly reporting with the budget and regularly evaluating performance and the meeting of specific targets through Key Performance Indicators etc. The system provides a high level of transparency with respect to various activities in the company and helps to give management a comprehensive insight into and knowledge of matters which could be important in relation to the full process of presentation of accounts.

Each quarter, the Board of Directors is provided with a detailed account of financial performance compared with the budget and prior periods. The reporting also describes and assesses material balance sheet items, cash flows, forecast future activities and earnings and other matters with an impact on operations.

Information

The Board of Directors lays down the general requirements for the result and the external financial reporting in accordance with relevant legislation and regulations. The Group also aims to offer adequate, complete and precise information reflecting corporate performance at all times.

The Board of Directors emphasises that there must be open communication in the company within the framework for listed companies, and that each individual must know his or her role in the company's internal controls. The Group has chosen to divide operations and internal reporting into both geographically divided business areas, and in independent strategic business units. Both business areas and business units are run as independent profit centres with their own missions, visions, goals, strategies, action plans and budgets. This division ensures a high degree of delegation of expertise, following-up and delegation of responsibilities in the organisation and enables information on relevant matters to be communicated effectively and reliably throughout the system.

Monitoring

Gabriel monitors the functioning of its internal control and risk management system at all Group levels on a regular basis. The scope thereof is determined primarily on the basis of the risk assessment and the effectiveness of controls and procedures.

Weaknesses, control failings or breaches of designated guidelines are reported on the basis of their importance to the Executive Board or the Board of Directors. The reporting is typically discussed at the next board meeting, at which the Board of Directors is informed of actual findings and recommendations on procedural changes etc.

In their long-form audit report to the Board of Directors, the auditors appointed by the annual general meeting report any material failings in the Group's internal control systems in relation to the financial reporting process.

The Board of Directors follows up on the implementation of any planned optimisation of risk and internal controls in relation to the financial reporting process.

MANAGEMENT ORGANS

The composition of the Board of Directors

The Board of Directors' collective profile can be characterised as having possession of broad and international business experience with professional skills including within production, innovation, sales, finances and marketing estimated to cover the Group's needs. The board regularly assesses the need for any changes in its collective expertise. Board members keep themselves actively advised about Gabriel and the industry in general. The board makes an annual self-evaluation managed by the chairman.

Election of employee representatives to the Board of Directors is a right enjoyed by Danish employees under Denmark's company law. The board members elected by the employees must comprise half the number of board members elected by the general meeting. The number of board members elected by the general meeting is such that two employee representatives is elected to the board. The board members elected by the employees act under the same terms as the other board members, but under company law they are elected for four years at a time. With effect from the 2014 election, Gabriel has changed over to rolling terms of office to ensure continuity. The latest election of employee representative was in December 2016 and the next ordinary employee election will be in 2018.

The duties and responsibility of the Board of Directors

There are rules of procedure for Gabriel's Board of Directors. These are reviewed once a year by the full board with a view to updating. The rules of procedure specify inter alia guidelines for the relationship between the Board of Directors and the Executive Board, and the duties and responsibilities of the chairman and vice-chairman of the board.

Audit committee

In accordance with Section 31 of the Danish Act on Approved Auditors and Audit Firms, Gabriel Holding A/S set up an audit committee in 2009, on which the entire Board of Directors serves. Pernille Fabricius, member of the Board of Directors, acts as chairman of the audit committee, which meets quarterly.

The audit committee's tasks are:

- 1) to monitor the financial reporting process
- 2) to monitor the effective functioning of the company's internal control and risk management systems,
- 3) to monitor the statutory audit of the financial statements etc., and
- 4) to monitor and check the auditor's independence.

In 2017/18, the audit committee is focused on reporting from subsidiaries, transfer pricing and follow-up on remarks from the external auditor, especially related to improvement of procedures for segregation of duties etc.