



STATUTORY REPORT ON CORPORATE GOVERNANCE 2023

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Pursuant to s. 107b of the Danish Financial Statements Act

In compliance with s. 107b of the Danish Financial Statements Act, Cemat's statutory report on corporate governance forms part of the management's review included in the 2023 annual report and covers the reporting period 1 January – 31 December 2023. It is published as a single, full report pursuant to s. 107b (1) of the Act.

The report consists of three elements:

- a corporate governance report
- a description of Cemat's management bodies
- an account of the main features of the Group's internal controls and risk management in connection with the financial reporting process

CORPORATE GOVERNANCE

Pursuant to s. 107b of the Financial Statements Act and rule 5.1.1. in "Supplement A – Nasdaq Copenhagen" of the "Nordic Main Market Rulebook for Issuers of Shares" issued by Nasdaq Copenhagen, listed companies are required to report on how they address the most recent recommendations issued by the Committee on Corporate Governance of 2 December 2020. The recommendations are available on the website of the Committee on Corporate Governance, www.corporate-governance.dk.

In their report on corporate governance, companies must apply the "comply or explain" principle in relation to each individual recommendation. If the company does not comply with a recommendation, the company must specifically explain; *why* the company has decided not to comply with the recommendation, and *which* approach the company has chosen instead. The recommendations enable the individual company to organise its governance optimally in accordance with the "comply or explain" principle. Thus, non-compliance is not inconsistent with the spirit of the recommendations, but merely a result of the fact that the company has chosen a different approach.

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			
<p>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.</p>	<p>Cemat communicates with its shareholders through the release of annual and interim financial reports and announcements. Announcements and press releases are posted on www.cemat.dk immediately after publication on Nasdaq Copenhagen.</p> <p>Shareholders may subscribe to mailing lists for annual reports, announcements and general meetings on Cemat's website. Shareholders may also find information on Cemat's strategy, policies and views under the menu "About" on Cemat's website. Contact information for Cemat's Investor Relations function is found under "Contacts/Investor Relations"</p>		

Recommendation	The company <u>complies</u>	The company <u>explains</u>	
		<i>why</i>	<i>how</i>
	Cemat's shareholders may present their views and opinions at the annual general meeting and may at any time contact Cemat by telephone or investor@cemat.dk .		
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.	Cemat's investor relations are described separately in Cemat's information and communication policy, which is available on the Company's website under "Investors/Investor policies".		
1.1.3. The Committee recommends that the company publishes quarterly reports.		Cemat does not publish quarterly reports. The decision is taken in respect of the current activity and its scope, Cemat does not experience significant variations in budgets and published financial projections	Cemat prepares half-year and annual reports.
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. The Committee recommends		Cemat does not provide webcast at its general meetings as Cemat has not identified a need to do so. Cemat however provide its investors with an option to be represented by a	Cemat will from time-to-time assess if a need for webcast of the general assembly arises.

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that the board of directors ensures that shareholders can observe the general meeting via webcast or other digital transmission.

proxy or to vote by letter in advance of the general meetings.

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.

The forms for nominating proxies and postal voting allow shareholders to consider each individual item on the agenda.

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.

Cemat has established a contingency plan for use in case of uninvited take-over bids for the purpose of allowing shareholders to consider the terms offered on a correct and adequate basis.

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.

In light of the Cemat’s size and activities, and the markets in which the Group operates, the Board of Directors has decided not to adopt a policy for Cemat’s corporate social responsibility, including social responsibility and sustainability, or policies for

The Board of Directors regularly reviews the need to adopt policies for this area.

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		human rights, climate impact and environmental issues.	
1.4.2. The Committee recommends that the board of directors adopts a tax policy to be made available on the company’s website.		In light of the Cemate’s size and activities, and the markets in which the Group operates, the Board of Directors has decided not to adopt a tax policy.	The Board of Directors regularly reviews the need to adopt a tax policy.

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.	Cemate’s Board of Directors supports the company’s statutory objects according to Cemate’s articles of association and the mission statement provided on the Company’s website under the section “About”.		
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.	Cemate’s Board of Directors and Management Board hold a strategy seminar once a year to review the Group’s overall strategy.		

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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.

The Board of Directors assesses regularly, and specifically as part of its strategy process, whether Cemate’s capital and share structures reflect the Group’s operations, activities and risk profile and are consistent with the interests of the shareholders and the Group.

Reference is made to the section “Shareholders” in the Company’s annual report for a description of Cemate’s capital structure and an overview of the Board of Directors’ authorisations for capital increases.

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.

The guidelines for the Management Board are reviewed once every year in accordance with the Board of Directors' annual plan. The guidelines include procedures for the Management Board's reporting to and communication with the Board of Directors. The instructions to the Management Board are available to the Board of Directors and the Management Board.

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2.2. Members of the board of directors

<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>	<p>The Board of Directors elects a Chairman and Deputy Chairman at the board meeting held immediately after the annual general meeting. In the Chairman’s absence, the Deputy Chairman assumes his/her powers and responsibilities in accordance with the rules of procedure for the Board of Directors. The Chairman involves the Deputy Chairman in all significant issues and decision-making processes.</p> <p>The tasks of the Chairman and Deputy Chairman are laid down in the rules of procedure for the Board of Directors.</p>		
<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>	<p>A discussion on updating the latest knowledge and implementing it in the best possible way is part of the annual assessment</p>		
<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</p>	<p>The members of the Board of Directors do not participate in the daily management of Cemmat.</p>		

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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.

3. The composition, organisation and evaluation of the board of directors

3.1. Composition

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

- 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.

On Cemat’s website, under “About/Management”, Cemat has posted a description of the qualifications that are important to the composition of the Board of Directors, taking into consideration the tasks to be undertaken by the Board of Directors.

Cemat’s Board of Directors is composed of members who represent general management experience, have industry insight and possess professional skills pertaining to listed companies’ financial and economic matters.

The Board members’ profiles containing information about

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	<p>experience, seniority and special skills are published in the annual report in the section “Board of Directors and Management Board” and under “About/Management/Board of Directors” on Cemmat’s website and in the agenda for the annual general meeting.</p> <p>The Board of Directors will assess the composition and diversity of the Board of Directors on a yearly basis.</p>		
<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>	<p>Diversity at the different management levels of the company and a diversity policy are discussed annually. Relevant information is published in the annual report.</p>		
<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>	<p>As part of its annual self-evaluation, the Board of Directors considers its composition and skills. If it is required that the existing expertise of the Board of Directors be changed or supplemented, a profile will be</p>		

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	<p>prepared to be presented to the entire Board of Directors for approval. The Chairman subsequently nominates suitable candidates, most often with the assistance of external advisers.</p> <p>In assessing the composition of, and the selection of new candidates for Cemat’s Board of Directors, priority is given to specific professional competencies.</p>		
<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. 	<p>The nominated candidates’ qualifications, directorships and managerial positions in other Danish and international companies, demanding organisational assignments and independence are described in the notice convening general meetings, where election of members to Cemat’s Board of Directors is on the agenda</p>		
<p>3.1.5. The Committee recommends that members of the board of directors elected by the general meeting stand for election every year at the</p>	<p>The members of Cemat’s Board of Directors elected by the shareholders serve for a term of one year in accordance with</p>		

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annual general meeting, and that the members are nominated and elected individually.

article 11(2) of Cemate's Articles of Association. The members of the Board of Directors are nominated and elected individually.

3.2. The board of director's independence

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

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

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

In 2023, three out of four members of Cemate's Board of Directors were independent.

When composing the Board of Directors, the aim is that the majority of the Board members elected by the shareholders should be independent of special interests as described in the recommendation. Details about this and information on the independence of each Board member are disclosed on the Company's website under "About/Management".

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- 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
- be closely related to persons, who are not independent, cf. the above-stated criteria.

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.

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.

The members of Cemate’s Management Board are not members of Cemate’s Board of Directors.

The current members of Cemate’s Board of Directors were not part of Cemate’s Management Board before they joined Cemate’s Board of Directors.

3.3. Members of the board of directors and the number of other managerial duties

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.

It is up to each member of the Board of Directors to assess how much time is required to perform the board duties and many directorships and managerial positions he/she is able to

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	undertake while serving on the Board of Directors of Cemmat.		
<p>3.3.2. The Committee recommends that the management commentary, in addition to the statutory requirements, contains the following information on the individual members of the board of directors:</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. 	The recommended information concerning the Board members is found in Cemmat’s annual report in the section “Board of Directors and Management Board” and on Cemmat’s website under “About/Management”.		
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 		Cemmat has – apart from the audit committee constituted by the joint Board of Directors – no other board committees, thus terms of reference for	The need for setting up committees is assessed on a current basis. It was decided that the audit committee was to be made up

Recommendation	The company <u>complies</u>		The company <u>explains</u>	
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<ul style="list-style-type: none"> 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>			<p>committees are not disclosed and nor is Cemmat reporting on the committees' activities and members.</p> <p>After the divestment of the silicon business on 1 July 2016, Cemmat's actual operation is limited to the development of the Polish property company. At the same time, Cemmat's Board of Directors consists of only four persons. Cemmat therefore assesses that it is not advisable to set up separate board committees.</p>	<p>of the entire Board of Directors. The Board does not report separately on the activities of the committee.</p>
<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>	All board committees solely consist of members of the Board of Directors and the majority of the members of the board committees are independent.			
<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, 			<p>The audit committee is made up of the entire Board of Directors as Cemmat's Board of Directors consists of only four persons.</p> <p>[It is assessed that there is no need for an internal audit function in the 2023 financial year.]</p>	<p>The Board of Directors performs the tasks of the audit committee</p>

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

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

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

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

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

Due to Cemmat’s limited activity, Cemmat has chosen not to set up a nomination committee to handle these tasks.

The Board of Directors handles these tasks.

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

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

Due to Cemat's limited activity, Cemat has chosen not to set up a nomination committee to handle these tasks.

The Board of Directors handles these tasks.

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

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

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

Currently Cemat's Board of Directors consists of four members. Due to the limited activity of Cemat and the number of Board members, Cemat has chosen not to establish an evaluation procedure.

The Chairman of the Board of Directors conducts regular evaluation of the Board of Directors and these topics.

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<ul style="list-style-type: none"> • 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. 			
<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>		<p>Currently Cemate’s Board of Directors consists of four members. Due to the limited activity of Cemate and the number of Board members, Cemate has chosen not to establish an evaluation procedure.</p>	<p>The Chairman of the Board of Directors conducts regular evaluation of the Board of Directors and these topics.</p>
<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>	<p>The Board of Directors regularly evaluates the work and results of the CEO, and the Chairman reviews the evaluation with the CEO at least once every year in connection with the annual salary interview.</p> <p>The Board of Directors assess on a continuous basis the need for changes in the structure and composition of the</p>		

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Management Board, including in respect of diversity, succession planning and risks, in light of Cemaf's strategy.

4. Remuneration

of management

4.1. Remuneration of the board of directors and the executive management

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.

Cemaf considers the remuneration for the Board of Directors and the Management Board and the other terms of employment/service competitive and consistent with Cemaf's long-term shareholder interests.

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.

Cemaf does not provide share-based remuneration.

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.

Cemaf and the Group does not apply a remuneration structure that includes caps on variable remuneration at the time of grant as the Board of Directors

Cemaf may from time to time directly or indirectly enter into agreements regarding variable remuneration with executive management that will comply with the Remuneration Policy

Recommendation	The company <u>complies</u>	The company <u>explains</u>	
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		assesses that this is in the best interest of the company.	applicable at the time of the conclusion of such agreements.
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.	Cemat's Management Board is not entitled to any kind of remuneration upon departure, other than salaries in the period of notice.		
4.1.5. The Committee recommends that members of the board of directors are not remunerated with share options and warrants.	Members of the Board of Directors of Cemat are not remunerated with share options and warrants, cf. Cemat's remuneration policy.		
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.	In order to comply with the recommendation, Cemat has updated the Remuneration Policy in order to implement a claw back-option for variable remuneration if such remuneration has been earned or paid based on information that later turned out to be untrue and this was proven, and the recipient of the remuneration acted in bad faith and the company suffered damage as a result.		

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The updated Remuneration Policy covers remuneration to the Board of Directors and Executive Management, including any consultancy services that are delivered by such individuals

5. Risk management

5.1. Identification of risks and openness in respect of additional information

5.1.1. The Committee recommends that the board of directors based on the company's strategy and business model considers, for instance, the most significant strategic, business, accounting and liquidity risks. The company should in the management commentary give an account of these risks and the company's risk management.

Risks relating to the financial reporting process form part of the Audit Committee's annual plan and are reported to the Board of Directors in connection with the consideration of financial reports.

Management has also prepared a description of strategic and business risks, which is reviewed on an ongoing basis and which forms an integral part of Management's annual revision of Cemmat's strategy. Information about financial risks is provided in accordance with IFRS in the

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	<p>annual report under “Risks and Risk Management”.</p> <p>Cemat’s risk management is furthermore described on the last pages of this report.</p>		
<p>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.</p>		<p>As Cemat has no permanent employees apart from the CEO, Cemat has not established a whistleblower scheme or a procedure for handling whistleblower cases.</p>	<p>The Board of Directors regularly reviews the need to establish a whistleblower scheme and a procedure for handling whistleblower cases.</p>

CEMAT'S MANAGEMENT

Cemat's management comprises the Board of Directors and the Management Board.

Board of Directors

The Board of Directors has the overall responsibility for the management of the Group and supervision of the Management Board. The Board of Directors lays down the policies for Cemat's business strategy, organisation, accounting and financial affairs and appoints a Management Board to be in charge of the day-to-day operations of the Group.

The Board of Directors is made up of four members elected by the shareholders in general meeting. An overview of the Board of Directors and the Management Board can be found in the annual report in the section "Board of Directors and Management Board".

In accordance with the Articles of Association, the members of the Board of Directors elected by the shareholders are elected for terms of one year at the annual general meeting. The term for the current Board of Directors expires on 21 March 2024 and the members are eligible for re-election.

When composing the Board of Directors, the aim is for the majority of the Board members elected by the shareholders to be independent of special interests relative to the Group, major shareholders, chief suppliers and key accounts.

Three of the four Board members elected by the shareholders are independent of special interests. The Deputy Chairman of Cemat's Board of Directors is not independent as Eivind Dam Jensen (and his relatives) controls 32.5% of Cemat's share capital.

When composing the Board of Directors, it has been considered important that the members have general management experience, have industry insight and possess professional skills pertaining to listed companies' financial and economic matters.

Board meetings are held at least five times a year. The Board of Directors follows an annual plan which is determined at the first meeting of the Board of Directors after the annual general meeting. The Board of Directors otherwise convenes as and when deemed necessary. 8 board meetings were held in 2023.

The Board of Directors conducts its business in accordance with the rules of procedure, which comply with the provisions of s. 130 of the Danish Companies Act applicable to listed companies. Among other things, the rules of procedure contain guidelines for the division of responsibilities between the Board of Directors and the Management Board, and provide for the application of minute books, a register of shareholders and other protocols. The rules of procedure determine the Board of Directors' duties to actively discuss Cemat's organisation and internal control procedures as well as its duties to actively follow up on plans, budgets and cash position, as well as other important issues.

Evaluation of the Board of Directors and Management Board

The evaluation of the working methods, skills, composition, efforts, interaction and performance of the Board of Directors and the Management Board forms part of the ongoing work of the Board of Directors and, in particular, the Chairman.

Board committees

Since mid-2016, Cemat has not had any separate committees as their duties have been assumed by the entire Board of Directors.

Audit Committee

The Audit Committee monitors the Group's financial reporting, accounting policies, internal control procedures and the framework for the external auditors. In connection with a change in the structure of Cemat in mid-2016 the tasks of the former audit committee will be performed collectively by the four members of the Board of Directors.

Remuneration policy

Cemat's remuneration policy was approved by the general meeting on the annual general meeting in 2023. It is the aim of the Board of Directors that the remuneration policy reflects the interests of the shareholders and Cemat and helps promote long-term goals. Furthermore, Cemat seeks to offer a compensation package conforming to market standards for the Board of Directors and the Management Board to retain the current management and attract new qualified candidates.

Management Board

Cemat's Management Board comprises a single registered Chief Executive Officer. The Management Board is responsible for the day-to-day management of Cemat in accordance with the guidelines laid down by the Board of Directors. Also, the Management Board is responsible for submitting proposals for the Group's overall strategies, action plans, objectives and operating and investment budgets to the Board of Directors.

Directors' fees

In 2023, for the financial year 2022, the members of the Board of Directors of Cemat received a fixed basic fee of DKK 200,000. The Chairman received 2.5 times the basic fee and the Deputy Chairman 1.75 times the basic fee for their extended Board tasks. The members of the Committee do not receive separate remuneration for board work in subsidiaries or on the Nomination or Remuneration Committees.

Total fees to the Board are specified in note 4 to the annual report.

The members of the Board of Directors receive no options, bonus or any other performance-related remuneration and are not covered by Cemmat's pension scheme.

Remuneration to the Management Board

The Board of Directors believes that a combination of fixed and performance-based compensation to the Management Board helps Cemmat to attract and retain the best qualified executive officers while at the same time encouraging sustained long-term value creation for the shareholders. Performance-related incentive schemes contribute to promoting behaviour that supports the achievement of Cemmat's objectives. Against this background, the Board of Directors has resolved to introduce incentive remuneration to the Management Board.

The Management Board's compensation package comprises three elements: a fixed basic salary including company car, telephone, etc., a bonus based on the financial results achieved and pensions.

Material agreements with Management

The member of the Management Board is employed under an executive service contract. The executive service contract for the CEO is terminable by either party at three months' notice.

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS

The Board of Directors of Cemmat has the overall responsibility for the establishment of an efficient risk management system, comprising systematic internal controls and follow-up. The Audit Committee monitors risk management and internal controls in relation to the financial reporting process.

General risk assessment and management

As part of the Board of Directors' annual strategy review, Management conducts an overall risk assessment for the Group in order to determine which processes and factors, internal as well as external, could potentially affect the Group's business platform and development.

The risk assessment mainly comprises identification of business risks and control measures are identified for the most significant risks, e.g. in the form of action plans, to reduce and handle risks.

Risk assessment and internal control systems at Cemmat

In connection with the current follow-up on the Group's strategy and development, Management assesses the risks identified and addresses any new risks during the strategy period.

The objective of risk management is not to eliminate all risks, but to actively determine which risks are acceptable to and manageable by the Group and which risks to avoid entirely. Risk management is an integral part of the day-to-day business management and is subject to continuous review by Management.

In respect of the special risks identified by Cemmat, reference is made to "Risks and risk management" and note to the annual report about "Financial risks and financial instruments".

The Group has chosen to arrange for insurance cover within a number of general areas.

The Group operates with a low risk profile to ensure that currency, interest rate and credit risks arise only in connection with commercial relations. It is the Group's policy not to actively speculate in financial risks. The Group's currency, interest rate, credit and liquidity risks are described in a note to the consolidated financial statements.

Risk assessment relating to the financial reporting process

The overall risk assessment also comprises risks relating to financial reporting and hence matters which could affect the completeness, accuracy and valuation-related matters relative to the Group's financial reporting. The risk assessment also comprises the risk of loss or misuse of assets.

Control system

Cemmat's boards are responsible for maintaining efficient internal controls.

All subsidiaries and business units of the Group have appropriate internal controls, covering the most significant risks. Internal policies and procedures, manuals and legislation and other external regulation form the basis of the internal control environment, and the Group's employees are held responsible through organisational structures in the Group with clearly defined responsibilities and authority.

Control measures may alleviate the identified risks and ensure compliance with the basic criteria for financial reporting. The Group's control measures comprise general as well as detailed controls to prevent, identify and correct errors and irregularities. The Group has the following overall control measures:

- Manual controls — examples of important manual controls are signed bookkeeping lists, reconciliation, rights of access, master data and segregated functions to the extent permitted by the size of the organisation.
- Programmed controls – examples of important programmed controls are validation of entries, including that data is only registered and applied centrally, automatic reconciliation of invoices with purchase orders and other reconciliation between the ERP modules.
- General IT control – examples of important IT controls are user administration, production and test environment and backup procedures.

Documentation of procedures is part of the internal control system and consists of flowcharts of procedures and descriptions of control measures. The process comprises formal as well as informal procedures used by Management, including assessments of results relative to

budgets, strategy plans and selected key performance indicators (KPIs). The Group has established procedures to provide Management with a basis for assessing the Group's financial position. These procedures/reports comprise i.a.:

- a review of strategic and business objectives at least once a year
- a formalised annual budget with forecast and estimation procedures

Furthermore, management reporting is prepared on a current basis, comprising:

- financial results and financial position, including analysis of cash flows and financial structure in the parent company and subsidiaries
- comparison of budgeted financial results, results from previous years and actual results

Also, the external auditors report to Management and the Audit Committee who assess the results of current examinations performed to determine to what extent Management and the Audit Committee may rely on the reports/processes which are primarily prepared and performed by the finance department.