

Reporting according to section 107b, no. 6 of the Danish Financial Statements Act regarding internal control and risk management related to the financial reporting process

The reporting statement is a part of the Management Review of the Annual Report for 2019. The reporting statement has been read by the auditor but not audited.

Overall control environment

The Board of Directors and the Executive Board have the overall responsibility for the Group's control environment. The Board of Directors appointed an audit committee in March 2016 to assist the Board in the ongoing supervision of the internal control and risk management systems related to the financial reporting process.

European Energy has policies and procedures for key financial reporting areas. The Company has implemented a reporting package that includes financial instructions. The policies and procedures apply to all subsidiaries, and similar requirements are set out in collaboration with joint venture partners. The internal control and risk management systems are designed to mitigate rather than eliminate the risks identified in the financial reporting process.

Internal controls related to the financial reporting process are established to detect, mitigate and correct material misstatements in the consolidated financial statements. European Energy anchors the monitoring of risk and internal controls in relation to the financial reporting process by implementing a standard reporting package that includes instructions and a standard Chart of Account in Navision for all significant subsidiaries. European Energy uses Navision, a well-documented standard bookkeeping system for the most significant companies, thus supporting bookkeeping in key subsidiaries and administrative entities.

For consolidation purposes the Company implemented Hyperion as the standard consolidation tool in 2015.

Risk assessment

The risk assessment process related to financial reporting of risks has been started in 2017 and assessed annually. The Audit Committee has to approve the risk assessment process.

The risk related to each accounting process and account in the consolidated financial statements will be assessed on the basis of quantitative and qualitative factors. The probability that risks will occur and their potential impact will be evaluated and the associated financial reporting risks thus identified.

Control activities

The Group has implemented a formalised financial reporting process for the quarterly estimates and reporting on actual performance. The accounting information reported by all Group companies is reviewed both by controllers with regional or functional in-depth knowledge of the individual companies/functions and by technical accounting specialists. In addition, significant Group companies have controllers with extensive commercial and/or accounting knowledge and insight.

The Group companies depend on IT systems. Manual controls are performed to compensate for any weaknesses in system controls or the IT environment, thus mitigating any significant risk relating to financial reporting.

Information and communication

The Group has established information and communication systems to ensure that accounting and internal control compliance is established, including a standard reporting package according to IFRS. In addition, the Group has implemented a formalised reporting process for reporting quarterly and projected/estimate figures from all countries and functions.

Monitoring

The Audit Committee is tasked with monitoring both the internal control environment and business risk.

The business risk will be assessed and reviewed at multiple levels in the Group, including a periodic review of control documentation, controller visits and audits performed on an ad hoc basis.

The Audit Committee's rules of procedure outline its roles and responsibilities concerning supervision and monitoring of the internal control and risk management systems related to financial reporting. Monitoring is performed on the basis of periodic reporting from the finance organisation and external auditors.

Audit Committee

The Board of Directors has appointed an Audit Committee consisting of three members who serve for one year at a time.

For the financial year of 2019, the Board of Directors appointed Mr. Jesper Helmuth Larsen chairman of the Audit Committee and Mr. Claus Dyhr and Mr. Jens-Peter Zink as members. There has been no changes in the members of the Audit Committee during 2019.

The members meet the requirements concerning independence, experience and expertise, also within the field of accounting, as set out in the Danish recommendations on corporate governance, and the committee as a whole thus possesses the necessary skills. The Audit Committee assists the Board of Directors in overseeing the financial reporting process, financial and business-related risks, internal controls and compliance with statutory and other requirements from public authorities. Moreover, the Audit Committee discusses the framework for the work of the company's external auditors and evaluates the external auditor's independence and qualifications.

The Audit Committee held 6 meetings in 2019.