



BY APPOINTMENT TO
THE ROYAL DANISH COURT

HARBOE

Corporate Governance at Harboes Bryggeri A/S

Statutory report in accordance with Section 107 b of the
Danish Financial Statements Act (Årsregnskabsloven)

2015/2016 financial year

Recommendation	The company complies	The company complies partially	The company does not comply	Explanation for complying partially/not complying with the recommendation
1. Communication and interaction by the company with its investors and other stakeholders				
<i>1.1. Dialogue between company, shareholders and other stakeholders</i>				
1.1.1. The Committee recommends that the board of directors ensure ongoing dialogue between the company and its shareholders in order for the shareholders to gain relevant insight into the company's potential and policies, and in order for the board of directors to be aware of the shareholders' views, interests and opinions on the company.	The company complies			Harboe places considerable emphasis on the company's shareholders being able to monitor the company's development. The group's website provides easy access to current and detailed information about the company's strategy, policies, business and results. The group's management maintains an active dialogue with the share market, holding a number of meetings with potential and existing investors and analysts in the course of the year. Presentations from these meetings are made available on the company website.
1.1.2. The Committee recommends that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders and other investors,	The company complies			It is an integral part of Harboe's management philosophy and

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and that the board ensures that the interests of the shareholders are respected in accordance with company policies.				fundamental values that the company has a good and constructive relationship with its stakeholders, based on open dialogue and mutual respect. The company's primary stakeholders and the relations with them are considered at appropriate intervals by the Board of Directors. Harboe has laid down a policy for the relations with the company's investors, which is included in the shareholder information section of the annual report. As part of the company's general corporate social responsibility activities, Harboe also seeks to maintain a good relationship with other key stakeholders.
1.1.3. The Committee recommends that the company publish quarterly reports.			The company does not comply	Harboe only publishes interim reports and annual reports as enabled by virtue of the latest amendments to the Danish Securities Trading Act and the Danish Act on the disclosure obligations of issuers dated 26

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				November 2015. The new rules ease the administrative burden and free up resources, where it has previously been a challenge that the seasonal fluctuations in the group's activities are not congruent with the timing of the quarterly reporting, which consequently does not provide a clear picture of the group's general development. However, Harboe places great emphasis on investors and other stakeholders being well informed of the group's development and results and therefore wishes to continue to keep the market up-to-date on significant events whenever relevant in between the formal interim and annual reporting.
<i>1.2. General meeting</i>				
1.2.1. The Committee recommends that, when organising the company's general meeting, the board of directors plans the meeting to support active ownership.	The company complies			Harboe's general meeting is called in accordance with the company's Articles of Association subject to at least three weeks' notice, the notice being accompanied by the

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				full agenda. All documents concerning the general meeting are published under a dedicated menu on the company's website, and shareholders have the option of having the documents sent to them directly via email. At the general meeting, the management provides a detailed account of the company's development and strategy and encourages the shareholders to join in a discussion of these matters.
1.2.2. The Committee recommends that proxies granted for the general meeting allow shareholders to consider each individual item on the agenda.	The company complies			In connection with the general meeting, Harboe draws up proxies which allow the shareholders to consider each individual item on the agenda.
1.3. Takeover bids				
1.3.1. The Committee recommends that the company set up contingency procedures in the event of takeover bids from the time that the board of directors has reason to believe that a takeover bid will be made. According to such contingency procedures, the board of directors should not without the acceptance of the general meeting, attempt to counter the takeover	The company complies			Harboe has formal contingency procedures which ensure that the shareholders get the opportunity to decide on a potential takeover bid at a general meeting. In the

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bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid themselves.				event of a takeover bid, Harboe's Board of Directors will endeavour to assess the significance of the bid for all the company's shareholders and for the company in general.
2. Tasks and responsibilities of the board of directors				
<i>2.1. Overall tasks and responsibilities</i>				
2.1.1. The Committee recommends that at least once a year the Board of Directors take a position on the matters related to the board's performance of its responsibilities.	The company complies			In connection with the annual general meeting, the Board of Directors schedules the board meetings for the next year and defines its most important tasks for the year.
2.1.2. The Committee recommends that at least once a year the board of directors take a position on the overall strategy of the company with a view to ensuring value creation in the company.	The company complies			The Board of Directors lays down and updates the company's strategy once a year and holds an annual strategy seminar. The Board of Directors follows up on strategic initiatives and the realisation of the targets set at appropriate intervals.

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<p>2.1.3. The Committee recommends that the board of directors ensure that the company has a capital and share structure ensuring that the strategy and long-term value creation of the company are in the best interests of the shareholders and the company, and that the board of directors presents this in the management commentary on the company's annual report and/or on the company's website.</p>	The company complies			<p>The Board of Directors considers the company's capital and share structure at regular intervals with a view to ensuring a stable basis for the company's long-term development and value creation. These considerations and evaluations are described in the group's annual report.</p>
<p>2.1.4. The Committee recommends that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board on timely, accurate and adequate reporting to the board of directors.</p>	The company complies			<p>Every year, the Board of Directors considers the company's rules of procedure for the Board of Directors and the Executive Board as well as the requirements for the Executive Board's regular reporting to the Board of Directors.</p>
<p>2.1.5. The Committee that at least once a year the board of directors discuss the composition of the executive board, as well as developments, risks and succession plans.</p>	The company complies			<p>The Board of Directors considers the company's development and management requirements in connection with the ongoing reporting. As part of the continued growth and internationalisation of the group's activities, the Board of Directors focuses on the continued</p>

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				adaptation of the management organisation within the strategic focus areas – also with a view to the more long-term management of the group.
<p>2.1.6. The Committee recommends that once a year the board of directors discuss the company’s activities to ensure relevant diversity at management levels, including setting specific goals and accounting for its objectives and progress made in achieving the objectives in the management commentary on the company’s annual report and/or on the website of the company.</p>	The company complies			<p>In the opinion of the Board of Directors, Harboe’s organisation and management follow the recommendation on diversity. These considerations are addressed in the company’s HR strategy, which, however, mainly aims at ensuring that the relevant competencies are in place in the organisation. Harboe’s Board of Directors has fixed a target for one-third of the members of the Board of Directors to be women. This target must be realised in connection with the company’s annual general meeting in 2017 at the latest. Harboe’s policy for increasing the share of women and ensuring general diversity at the other management levels in the organisation has been</p>

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				approved by the Board of Directors.
<i>2.2. Corporate social responsibility</i>				
2.2.1. The Committee recommends that the board of directors adopt policies on corporate social responsibility.	The company complies			Harboe has laid down a corporate social responsibility policy and reports on developments in the prioritised focus areas in the annual report. As a member of the Danish Brewers' Association, the company participates in the continuous reporting and development of industry standards for corporate social responsibility.
<i>2.3. Chairman and vice-chairman of the board of directors</i>				
2.3.1. The Committee recommends appointing a vice-chairman of the board of directors who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective sparring partner for the chairman.			The company does not comply	In the opinion of the Board of Directors, there is no need for a vice-chairman at present, but the Board of Directors considers the need at appropriate intervals and in step with developments in the company's strategic challenges.
2.3.2. The Committee recommends ensuring that, if the board of directors, in exceptional cases, asks the chairman of the board of directors to perform special operating activities for the company, including briefly participating in the day-to-day management, a board	The company complies			The chairman of the Board of Directors does not participate in the day-to-day management of

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resolution to that effect be passed to ensure that the board of directors maintains its independent, overall management and control function. Resolutions on the chairman's participation in day-to-day management and the expected duration hereof should be published in a company announcement.				the company, but the Board of Directors will take the recommendations into due consideration, if relevant.
3. Composition and organisation of the board of directors				
<i>3.1. Composition</i>				
<p>3.1.1. The Committee recommends that the board of directors annually accounts for</p> <ul style="list-style-type: none"> • the skills it must have to best perform its tasks, • the composition of the board of directors, and • the special skills of each member. 	The company complies			In the process of identifying new candidates for the Board of Directors, emphasis is placed on adding relevant competencies within international strategic management, product innovation and international sales. The members of the Board of Directors and their competencies are described in more detail in the company's annual report and on the website.
<p>3.1.2. The Committee recommends that the selection and nomination of candidates for the board of directors be carried out through a thoroughly transparent process approved by the overall board of directors. When assessing its composition and nominating new candidates, the board of directors must take into consideration the need for integration of new talent and diversity in relation to age, international experience and gender.</p>	The company complies			The process for the selection and nomination of new candidates for the Board of Directors is headed by the chairman of the Board of Directors and the company's principal shareholder who

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				recommend candidates for the approval of the entire Board of Directors. In this process, emphasis is placed on the Board of Directors being composed such that its members match each other in the best possible way in terms of experience, age, gender etc. in order to ensure a competent and versatile contribution to Harboe's management.
<p>3.1.3. The Committee recommends that the notice convening the general meeting when election of members to the board of directors is on the agenda be accompanied by a description of the nominated candidates' qualifications, including information about the candidates'</p> <ul style="list-style-type: none"> • other executive functions, among these memberships on executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises • demanding organisational tasks, and information about • whether candidates to the board of directors are considered to be independent. 	The company complies			The shareholders receive a description of the nominated candidates, their competencies, other executive functions and whether they are considered independent, prior to the general meeting. The descriptions can be seen on the company website.
3.1.4. The Committee recommends that the company's articles of association stipulate a retirement age for members of the board of directors.			The company does not comply	The Board of Directors does not believe that it is necessary to have a retirement age on the Board of Directors. In the opinion of the Board of Directors, the ongoing assessment of the individual

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				members' contribution to the work of the Board forms a sufficient basis for assessing whether the individual member should continue to sit on the Board of Directors. The age of each individual member of the Board of Directors appears from the annual report.
3.1.5. The Committee recommends that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.	The company complies			The members of the Board of Directors elected by the general meeting are elected for one year at a time.
3.2. Independence of the board of directors				
<p>3.2.1. The Committee recommends that at least half of the members of the board of directors elected by the general meeting are independent persons, in order for the board of directors to be able to act independently of special interests.</p> <p>To be considered independent, this person may not:</p> <ul style="list-style-type: none"> • be or within the past five years have been member of the executive board, or senior staff member in the company, a subsidiary undertaking or an associate, • within the past five years, have received larger emoluments from the company/group, a subsidiary undertaking or an associate in another capacity than as member of the board of directors, • represent the interests of a controlling shareholder, 	The company complies			Half of the members of the Board of Directors elected by the general meeting are independent. The annual report specifies which members of the Board of Directors are considered to be independent. This information also appears from the nomination of board members up for election.

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<ul style="list-style-type: none"> • within the past year, have had significant business relations (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management in companies with corresponding connection) with the company, a subsidiary undertaking or an associate, • be or within the past three years have been employed or partner at the external auditor, • have been chief executive in a company holding cross-memberships with the company, • have been member of the board of directors for more than 12 years, or • have been close relatives with persons who are not considered to be independent. 				
<p><i>3.3. Members of the board of directors and the number of other executive functions</i></p>				
<p>3.3.1. The Committee recommends that each member of the board of directors assesses the expected time commitment for each function in order that the member does not take on more functions than he/she can manage satisfactorily for the company.</p>	The company complies			The board of directors emphasises and assesses on an ongoing basis whether the individual members' other tasks and responsibilities prevent the members from performing their duties on the Board of Directors of Harboe in a satisfactory way.
<p>3.3.2. The Committee recommends that the management commentary, in addition to the provisions laid down by legislation, includes the following information about the members of the board of directors:</p> <ul style="list-style-type: none"> • the position of the relevant person, • the age and gender of the relevant person, • whether the member is considered independent, • the date of appointment to the board of directors of the member, • expiry of the current election period, 	The company complies			All the recommended information about the members of the Board of Directors appears from the company's annual report.

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<ul style="list-style-type: none"> • other executive functions, among these memberships on executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises, and • demanding organisational tasks, and • the number of shares, options, warrants and similar securities in the company, and other group companies of the company, owned by the member, as well as changes in the portfolio of the member of the securities mentioned which have occurred during the financial year. 				
3.4. Board committees				
<p>3.4.1. The Committee recommends that the company publish the following information on the company's website:</p> <ul style="list-style-type: none"> • the terms of reference of the board committees, • the most important activities of the committees during the year, and the number of meetings held by each committee, and • the names of the members of each committee, including the chairmen of the committees, as well as information on which members are independent members and which members have special qualifications. 	The company complies			An audit committee has been set up by the Board of Directors. The tasks and activities of the committee as well as the composition of the committee and the special qualifications of its members are described in more detail in the section on risks and in the section on management in the annual report.
<p>3.4.2. The Committee recommends that a majority of the members of a board committee be independent.</p>	The company complies			The majority of the members of the audit committee are independent.
<p>3.4.3. The Committee recommends that the board of directors set up a formal <u>audit committee</u> composed so that</p> <ul style="list-style-type: none"> • the chairman of the board of directors is not chairman of the audit committee, and 		The company complies partially		Harboe has set up an audit committee, but finds it natural that the chairman of the Board of Directors, who has in-depth knowledge of the group's

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<ul style="list-style-type: none"> • between them, the members should possess such expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit aspects of companies whose shares are admitted to trading on a regulated market. 				<p>financial and accounting issues, is also the chairman of the audit committee. Moreover, the work on the audit committee takes place in close collaboration between all the members of the committee, and thus draws on a broad mix of financial and accounting competencies.</p>
<p>3.4.4. The Committee recommends that, prior to the approval of the annual report and other financial reports, the audit committee monitors and reports to the board of directors about:</p> <ul style="list-style-type: none"> • significant accounting policies, • significant accounting estimates, • related party transactions, and • uncertainties and risks, including in relation to the outlook for the current year. 	The company complies			<p>Prior to the approval of the financial reporting, the audit committee reviews the accounting policies as well as significant financial affairs and risks.</p>
<p>3.4.5. The Committee recommends that the audit committee:</p> <ul style="list-style-type: none"> • annually assesses the need for an internal audit, and in such case, makes recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, and • monitor the executive board’s follow-up on the conclusions and recommendations of the internal audit function. 	The company complies			<p>The audit committee considers the need for an internal audit function annually.</p>
<p>3.4.6. The Committee recommends that the board of directors establish a <u>nomination committee</u> chaired by the chairman of the board of directors with at least the following preparatory tasks:</p>		The company complies partially		<p>The board of directors has not set up a nomination committee, but assesses the need for this at regular intervals. The company’s</p>

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<ul style="list-style-type: none"> • describe the qualifications required by the board of directors and the executive board, and for a specific membership, state the time expected to be spent on having to carry out the membership, as well as assess the competences, knowledge and experience of the two governing bodies combined, • annually assess the structure, size, composition and results of the board of directors and the executive board, as well as recommend any changes to the board of directors, • annually assess the competences, knowledge and experience of the individual members of management, and report to the board of directors in this respect, • consider proposals from relevant persons, including shareholders and members of the board of directors and the executive board for candidates for the board of directors and the executive board, and • propose an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes. 				management competencies and resources and the need for these in the short and longer term are regularly discussed by the chairman of the board of directors and the company's principal shareholder, who submit proposals for changes and proposals for new candidates for the approval of the entire board of directors.
<p>3.4.7. The Committee recommends that the board of directors establish a <u>remuneration committee</u> with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> • to recommend the remuneration policy (including the general guidelines for incentive-based remuneration) to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting, • make proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensure that the remuneration is in compliance with the company's remuneration policy and the assessment of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the board of directors and the executive board receive from other companies in the group, and • recommend a remuneration policy applicable for the company in general. 			The company does not comply	The Board of Directors has not set up a remuneration committee, but assesses the need for this at regular intervals. Important contracts are approved by the Chairman of the Board of Directors.
<p>3.4.8. The Committee recommends that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p>				Not relevant; see comment above.

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<i>3.5. Evaluation of the performance of the board of directors and the executive board</i>				
<p>3.5.1. The Committee recommends that the board of directors establish an evaluation procedure where contributions and results of the board of directors and the individual members, as well as collaboration with the executive board are annually evaluated. Significant changes deriving from the evaluation should be included in the management commentary or on the company's website.</p>		The company complies partially		<p>In the opinion of the Board of Directors, there is no need for a formal evaluation procedure for the Board of Directors and the Board of Executives.</p> <p>The chairman of the Board of Directors ensures that meetings are characterised by constructive dialogue and that individual members contribute in line with their competencies. Furthermore, the chairman of the Board of Directors and the company's principal shareholder evaluate annually the Board of Directors' work and the individual members' contribution to this work.</p>
<p>3.5.2. The Committee recommends that in connection with preparation of the general meeting, the board of directors consider whether the number of members is appropriate in relation to the requirements of the company. This should help ensure a constructive debate and an effective decision-making process in which all members are given the opportunity to participate actively.</p>	The company complies			<p>Prior to the company's annual general meeting, the Board of directors evaluates its composition going forward, based on the company's strategic objectives and current position.</p>

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<p>3.5.3. The Committee recommends that at least once every year the board of directors evaluate the work and performance of the executive board in accordance with predefined clear criteria.</p>	<p>The company complies</p>			<p>At regular intervals, the Board of Directors evaluates the Executive Board's work and performance in connection with the ongoing financial and business reporting, based on the objectives and expectations formulated at the beginning of the year.</p>
<p>3.5.4. The Committee recommends that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the board of directors and the chief executive officer and that the outcome of the evaluation is presented to the board of directors.</p>			<p>The company does not comply</p>	<p>In the opinion of the Board of Directors, there is no need for a formal procedure for the evaluation of the cooperation between the chairman of the Board of Directors and the CEO, who is also the company's principal shareholder and member of the Board of Directors.</p> <p>The Chairman of the Board of Directors and the CEO have an ongoing, close and constructive dialogue, the results of which form part of the reporting at the board meetings.</p>

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4. Remuneration of management

4.1. Form and content of the remuneration policy

<p>4.1.1. The Committee recommends that the board of directors prepare a clear and transparent remuneration policy for the board of directors and the executive board, including</p> <ul style="list-style-type: none"> • a detailed description of the components of the remuneration for members of the board of directors and the executive board, • the reasons for choosing the individual components of the remuneration, and • a description of the criteria on which the balance between the individual components of the remuneration is based. <p>The remuneration policy should be approved by the general meeting and published on the company's website.</p>	<p>The company complies</p>			<p>Harboe's Board of Directors emphasises that the company should offer competitive terms of employment to the members of the Board of Executives and the rest of the management and regularly assesses elements which can help motivate and retain skilled and performance-oriented managers. The Board of Directors has decided not to introduce share-related incentive schemes for the time being. The group's key managers are covered by a performance-related bonus programme. In addition, Harboe offers a number of special elements to key managers, such as accommodation and other staff benefits, which make it attractive to be employed by Harboe, even though the company is located far away from the large urban</p>
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				centres. All Harboe employees are part of the company's pension scheme. The remuneration policy is described in detail in the Chairman's report and approved at the annual general meeting. The remuneration paid to the Board of Executives and the Board of Directors is specified in the annual report. Termination payments for managers constitute a maximum of two years' remuneration. The remuneration to the Board of Directors is based on a fixed fee and does not comprise any share options.
<p>4.1.2. The Committee recommends that, if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> • limits are set on the variable components of the total remuneration package, • a reasonable and balanced linkage be ensured between remuneration for governing body members, expected risks and the value creation for shareholders in the short and long terms, • there be clarity about performance criteria and measurability for award of variable components, • there be criteria ensuring that qualifying periods for variable components in remuneration agreements are longer than one calendar year, and 	The company complies			See comment under 4.1.1.

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<ul style="list-style-type: none"> an agreement is made which, in exceptional cases, entitles the company to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be misstated. 				
4.1.3. The Committee recommends that remuneration of members of the board of directors does not include share options.	The company complies			See comment under 4.1.1.
4.1.4. The Committee recommends that if share-based remuneration is provided, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should have a maturity of at least three years from the date of allocation.				Not relevant; see comment under 4.1.1.
4.1.5. The Committee recommends that agreements on termination payments should not amount to more than two years' annual remuneration.	The company complies			See comment under 4.1.1.
4.2. Disclosure of the remuneration policy				
4.2.1. The Committee recommends that the company's remuneration policy and compliance with this policy are explained and justified annually in the chairman's statement at the company's general meeting.	The company complies			See comment under 4.1.1.
4.2.2. The Committee recommends that the proposed remuneration for the board of directors for the current financial year be approved by the shareholders at the general meeting.	The company complies			The remuneration for the Board of Directors is approved at the company's general meeting for the financial year in question.
4.2.3. The Committee recommends that the total remuneration granted to each member of the board of directors and the executive board by the company and other companies in the group, including information on the most important contents of retention and		The company complies partially		The total remuneration for the Board of Directors and the Executive Board is specified in the annual report. The Board of

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retirement/resignation schemes, be disclosed in the annual report and that the linkage with the remuneration policy be explained.				Directors does not find it relevant to specify the remuneration granted to each member of the Board of Directors. The most important elements of severance programmes for the Executive Board are described in the annual report.
5. Financial reporting, risk management and audits				
<i>5.1. Identification of risks and transparency about other relevant information</i>				
5.1.1. The Committee recommends that the board of directors in the management commentary review and account for the most important strategic and business-related risks, risks in connection with the financial reporting as well as for the company's risk management.	The company complies			Harboe analyses and considers the business and financial risks affecting the company's development and results at regular intervals and at least once a year. The risks and the handling thereof are described in the company's annual report.
<i>5.2. Whistleblower scheme</i>				
5.2.1. The Committee recommends that the board of directors decide whether to establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.	The company complies			The Board of Directors does not believe that there is a need at present for a whistleblowing scheme. Harboe strives to create

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				as much transparency as possible in all management and decision-making processes across the group through efficient reporting and control systems. The Board of Directors will continuously consider the need for a whistleblowing scheme.
<i>5.3. Contact to auditor</i>				
5.3.1. The Committee recommends that the board of directors ensure regular dialogue and exchange of information between the auditor and the board of directors, including that the board of directors and the audit committee at least once a year meet with the auditor without the executive board present. This also applies to the internal auditor, if any.		The company complies partially		Harboe's Board of Directors and audit committee have an ongoing dialogue with the company auditors, and the relations have been structured in accordance with the recommendations. However, the company's CEO is also a member of the Board of Directors and therefore participates in all meetings with the auditors. The auditors also attend the board meeting at which the annual report is considered.

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5.3.2. The Committee recommends that the audit agreement and auditors' fee be agreed between the board of directors and the auditor on the basis of a recommendation from the audit committee.	The company complies			Every year, the audit committee submits a proposal for an audit engagement letter and for the auditors' remuneration to the Board of Directors.