



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)
2017/2018 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			
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, and that the board ensures that the interests of the shareholders are respected in accordance with company policies.	The company complies			

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1.1.3. The Committee recommends that the company publish quarterly reports.			The company does not comply	<p>Harboe only publishes interim and annual reports. Among other things, the Board of Directors believes that seasonal fluctuations, which often affect the group across the quarters, may impact the quarterly reporting in such a way as to provide a misleading impression of the group's results of operations.</p> <p>However, Harboe places emphasis on keeping the market well informed of the group's development and results and will therefore communicate on significant events whenever relevant in between the formal interim and annual reporting.</p>
<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			
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			
<i>1.3. Takeover bids</i>				

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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 bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid themselves.	The company complies			
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			
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			
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.	The company complies			
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.	The company complies			

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2.1.5. The Committee recommends 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.	The company complies			
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.	The company complies			
2.2. Corporate social responsibility				
2.2.1. The Committee recommends that the board of directors adopt policies on corporate social responsibility.	The company complies			
2.3. Chairman and vice-chairman of the board of directors				
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 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 complies			

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3. Composition and organisation of the board of directors				
<i>3.1. Composition</i>				
3.1.1. The Committee recommends that the board of directors annually accounts for <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			
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.	The company complies			
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' <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			
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	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

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			does not comply	ongoing assessment of the individual 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			
<i>3.2. Independence of the board of directors</i>				

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<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, • 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. 		The company complies partially		Harboe has been owned and managed by the Harboe family through five generations. It is important to the family and the Board of Directors to ensure that the family's values are maintained and continued in the next generation – combined with effective business management in order to create value for all shareholders. Therefore, the Board of Directors elected by the general meeting consists of three members of the family and three independent, external members. The Chairman of the Board of Directors is an external member, but he will not be considered independent until 2020 as he signed the Harboe group's annual report as auditor until the financial year 2014/2015. From 2020, Harboe will thus be in compliance with the recommendation.
<i>3.3. Members of the board of directors and the number of other executive functions</i>				
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.	The company complies			
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:	The company complies			

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<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, 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 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			
<p>3.4.2. The Committee recommends that a majority of the members of a board committee be independent.</p>		The company complies partially		See explanation under 3.2.1.

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<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 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. 		The company complies partially		Harboe has set up an audit committee, but has found it natural for the company's Chairman of the Board of Directors to also chair the audit committee. The Chairman has many years of experience in audit and advisory services, and as a partner with Deloitte he has acquired a deep insight into accounting and financial matters. Moreover, the work on the audit committee takes place in close collaboration between the members of the committee and the company's external auditors and thus draws on a broad mix of financial and accounting competencies.
<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>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			

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<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> <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. 		The company complies partially		The Board of Directors has not set up a nomination committee, but assesses the need for this at regular intervals. The company's management competencies, 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.

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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.				Not relevant; see comment above.
<i>3.5. Evaluation of the performance of the board of directors and the executive board</i>				
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.		The company complies partially		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. 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.
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.	The company complies			
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.	The company complies			

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<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>			The company does not comply	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. The Chairman of the Board of Directors and the CEO have an ongoing dialogue, the results of which form part of the reporting at the board meetings.
<h4>4. Remuneration of management</h4>				
<h5>4.1. Form and content of the remuneration policy</h5>				
<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>	The company complies			

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<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 • 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. 	The company complies			
<p>4.1.3. The Committee recommends that remuneration of members of the board of directors does not include share options.</p>	The company complies			
<p>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.</p>				Not relevant, see 4.1.3.
<p>4.1.5. The Committee recommends that agreements on termination payments should not amount to more than two years' annual remuneration.</p>	The company complies			
<p><i>4.2. Disclosure of the remuneration policy</i></p>				

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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			
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			
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 retirement/resignation schemes, be disclosed in the annual report and that the linkage with the remuneration policy be explained.		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 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			
<i>5.2. Whistleblower scheme</i>				

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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			
<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's external 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.
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			