



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 (Års-regnskabsloven)  
The 2019/2020 financial year

Report for the 2019/2020 financial year

Recommendation	The company complies	The company complies partially	The company does not comply	Explanation for complying partially/not complying with the recommendation
<b>1. Communication and interaction by the company with its investors and other stakeholders</b>				
<i>1.1. Dialogue between company, shareholders and other stakeholders</i>				
1.1.1. The Committee <b>recommends</b> that the board of directors ensure ongoing dialogue between the company and its shareholders, so that the shareholders gain relevant insight into the company and in order for the board of directors to be aware of the shareholders' views, interests and opinions in respect to the company.	The company complies			
1.1.2. The Committee <b>recommends</b> that the board of directors adopts policies on the company's relationship with its stakeholders, including shareholders, and that the board of directors ensures that the interests of the stakeholders are respected in accordance with company policies.	The company complies			

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<p>1.1.3. The Committee <b>recommends</b> that the company publish quarterly reports.</p>			<p>The company does not comply</p>	<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 quarters, may impact the quarterly reporting in such a way as to provide a misleading impression of the group's results.</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>
<p><i>1.2. General meeting</i></p>				
<p>1.2.1. The Committee <b>recommends</b> that in organising the company's general meeting, the board of directors plans the meeting to support active ownership.</p>	<p>The company complies</p>			
<p>1.2.2. The Committee <b>recommends</b> that proxies or votes by post for the general meeting allow shareholders to consider each individual item on the agenda.</p>	<p>The company complies</p>			

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<i>1.3. Takeover bids</i>				
<p>1.3.1. The Committee <b>recommends</b> 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.</p> <p>The contingency procedures should establish that 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.</p>	The company complies			
<b>2. Tasks and responsibilities of the board of directors</b>				
<i>2.1. Overall tasks and responsibilities</i>				
<p>2.1.1. The Committee <b>recommends</b> that at least once annually the board of directors consider the matters that should be included in the board's performance of its work.</p>	The company complies			
<p>2.1.2. The Committee <b>recommends</b> that at least once annually, the board of directors consider the overall strategy of the company with a view to ensuring value creation in the company.</p>	The company complies			

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2.1.3. The Committee <b>recommends</b> that the board of directors ensure that the company has a capital and share structure which supports that the strategy and long-term value creation of the company are in the interest of the shareholders and the company, and that the board of directors explain this in the management commentary and/or on the company's website.	The company complies			
2.1.4. The Committee <b>recommends</b> that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board's reporting to the board of directors.	The company complies			
2.1.5. The Committee <b>recommends</b> that at least once annually, the board of directors discuss the composition, developments, risks and succession plans of the executive board.	The company complies			
<i>2.2. Corporate social responsibility</i>				
2.2.1. The Committee <b>recommends</b> that the board of directors adopt policies on corporate social responsibility.	The company complies			
<i>2.3. Chairman and vice-chairman of the board of directors</i>				
2.3.1. The Committee <b>recommends</b> 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 complies			

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<p>2.3.2. The Committee <b>recommends</b> that, if the board of directors, in exceptional cases, asks the chairman of the board of directors or other board members to perform special activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect should be passed to ensure that the board of directors maintains its independent, general management and control function.</p> <p>Resolutions on the chairman’s or other board members’ participation in day-to-day management and the expected duration thereof should be publicly announced.</p>	The company complies			
<b>3. Composition and organisation of the board of directors</b>				
<i>3.1. Composition</i>				
<p>3.1.1. The Committee <b>recommends</b> that the board of directors annually evaluate and in the management commentary account for:</p> <ul style="list-style-type: none"> <li>• the competencies that it must have to best perform its tasks;</li> <li>• the composition of the board of directors; and</li> <li>• the special competencies of each member.</li> </ul>	The company complies			
<p>3.1.2. The Committee <b>recommends</b> that the board of directors annually discuss the company’s activities to ensure relevant diversity at management levels and prepare and adopt a policy on diversity.</p> <p>The policy should be published on the company’s website.</p>	The company complies			

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<p>3.1.3. The Committee <b>recommends</b> that the selection and nomination of candidates for the board of directors be carried out through a thorough and transparent process approved by the board of directors.</p> <p>When assessing its composition and nominating new candidates, the board of directors should, in addition to the need for competencies and qualifications, take into consideration the need for integration of new talent and diversity.</p>	The company complies			
<p>3.1.4. The Committee <b>recommends</b> that the notice convening a general meeting where the agenda includes the election of members to the board of directors, include (in addition to the statutory requirements) a description of the qualifications of the nominated candidates, including information about the candidates’:</p> <ul style="list-style-type: none"> <li>• other executive functions, including positions on executive boards, boards of directors and supervisory boards, including board committees, in Danish and foreign enterprises; and</li> <li>• demanding organisational tasks.</li> </ul> <p>Furthermore, it should be indicated if the candidates for the board of directors are considered independent.</p>	The company complies			
<p>3.1.5. The Committee <b>recommends</b> that members of the company’s executive board be not members of the board of directors and that a resigning chief executive officer be not directly elected as chairman or vice chairman for the same company.</p>			The company does not comply	The company’s CEO was elected to the Board of Directors before being appointed CEO. He will not run for the Board of Directors at the next

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				<p>general meeting. As part of management changes in December 2019, the Board of Directors elected former Harboe CEO Bernhard Griese Chairman. Bernhard Griese resigned as CEO on 30 August 2019.</p> <p>As previously announced, the Board of Directors is working to identify new candidates for the Board of Directors who can contribute relevant international experience and expertise to the brewery to help realise the company's strategy and objectives in future.</p>
<p>3.1.6. The Committee <b>recommends</b> that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.</p>	<p>The company complies</p>			
<p><i>3.2. Independence of the board of directors</i></p>				
<p>3.2.1. The Committee <b>recommends</b> that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests.</p>			<p>The company does not comply</p>	<p>Harboe has been owned and managed by the Harboe family through six 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</p>



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<p>To be considered independent, this person may not:</p> <ul style="list-style-type: none"> <li>• be or within the past five years have been a member of the executive board or senior staff member in the company, a subsidiary or an associated company;</li> <li>• within the last five years, have received significant remuneration from the company/group, a subsidiary or an associated company in a different capacity than as member of the board of directors;</li> <li>• represent or be associated with a controlling shareholder;</li> <li>• within the past year, have had significant business relations (e.g. personally or indirectly as partner or employee, shareholder, customer, supplier or member of management in companies with corresponding connection) with the company, a subsidiary or an associated company;</li> <li>• be or within the past three years have been employed or been a partner in the same company as the auditor elected by the general meeting;</li> <li>• be part of the executive management in a company with cross-management representation in the company;</li> <li>• have been a member of the board of directors for more than 12 years; or</li> <li>• be a close relative of persons who are not considered independent.</li> </ul> <p>Even if a member of the board of directors is not covered by the above criteria, certain conditions may exist that will lead the board of directors to decide that one or more members cannot be regarded as independent.</p>				<p>create value for all shareholders. Therefore, the Board of Directors elected by the general meeting currently consists of two non-independent members of the family, one external member who has served on the Board of Directors for more than 12 years and one external independent member.</p>

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<i>3.3. Members of the board of directors and the number of other management functions</i>				
<p>3.3.1. The Committee <b>recommends</b> that each member of the board of directors assess the expected time commitment for each function so that the member does not take on more functions than he/she can complete at a satisfactory level for the company.</p>	The company complies			
<p>3.3.2. The Committee <b>recommends</b> 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"> <li>• the position of the relevant person;</li> <li>• the age and gender of the person in question;</li> <li>• the person’s competencies and qualifications that are relevant to the company;</li> <li>• whether the member is considered independent;</li> <li>• the member’s date of appointment to the board of directors;</li> <li>• expiry of the current election term;</li> <li>• the member’s participation in the meetings of the board of directors and committee meetings;</li> <li>• other management functions, including memberships in executive boards, boards of directors, and supervisory boards, including board committees in Danish and foreign enterprises and demanding organisational tasks; and</li> <li>• the number of shares, options, warrants and similar owned by the member in the company, and other group companies, as well as</li> </ul>	The company complies			

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changes to the member's portfolio of the mentioned securities which have occurred during the financial year.				
3.3.3. The Committee <b>recommends</b> that the annual evaluation procedure, cf. section 3.5, include an evaluation of what is regarded as a reasonable level for the number of other management functions, where the number, level and complexity of the other individual management functions are taken into account.		The company complies partially		See explanation under 3.5 for the evaluation of the Board of Directors' work. The Chairmanship of the Board of Directors regularly assesses the contribution and ability of each member to effectively perform their board responsibilities. None of the members of the Board of Directors hold a large number of other executive functions.
<b>3.4. Board committees</b>				
<p>3.4.1. The Committee <b>recommends</b> that the company publish the following on the company's website:</p> <ul style="list-style-type: none"> <li>• the terms of reference of the board committees;</li> <li>• the most important activities of the committees during the year and the number of meetings held by each committee; and</li> <li>• the names of the members of each committee, including the chairmen of the committees, as well as information regarding which</li> </ul>	The company complies			

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members are independent members and which members have special competencies.				
3.4.2. The Committee <b>recommends</b> that a majority of the members of a board committee be independent.			The company does not comply	See explanation under 3.2.1.
3.4.3. The Committee <b>recommends</b> that the members of the board of directors set up among its members an <u>audit committee</u> and that a chairman is appointed who is not the chairman of the board of directors.	The company complies			
3.4.4. The Committee <b>recommends</b> that, prior to the approval of the annual report and other financial reports, the audit committee monitor and report to the board of directors about: <ul style="list-style-type: none"> <li>• significant accounting policies;</li> <li>• significant accounting estimates;</li> <li>• related party transactions; and</li> <li>• uncertainties and risks, including in relation to the outlook for the current year.</li> </ul>	The company complies			

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<p>3.4.5. The Committee <b>recommends</b> that the audit committee:</p> <ul style="list-style-type: none"> <li>annually assesses the need for an internal audit function and, in such a case, presents mandates and recommendations on selecting, appointing and removing the head of any internal audit function and on the budget of the internal audit function;</li> <li>ensure that if an internal audit has been established, a description of its functions is approved by the board of directors;</li> <li>ensure that if an internal audit has been established, adequate resources and competencies are allocated to carry out the work; and</li> <li>monitor the executive board’s follow-up on the conclusions and recommendations of the internal audit function.</li> </ul>	The company complies			
<p>3.4.6. The Committee <b>recommends</b> that the board of directors establish a <u>nomination committee</u>, which is at least responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>describing the qualifications required by the board of directors and the executive board and for a given position, indicating the time expected to be spent carrying out a specific position, as well as assessing the competencies, knowledge and experience found in the two governing bodies;</li> </ul>		The company complies partially		The Board of Directors has not set up a nomination committee, but regularly assesses the need for a nomination committee. However, the company’s management competencies, resources and needs in the short term and longer term are regularly discussed by the entire Board of Directors.

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<ul style="list-style-type: none"> <li>annually assessing the structure, size, composition and results of the board of directors and the executive board and recommend any changes to the board of directors;</li> <li>annually assessing the competencies, knowledge, experience and succession of the individual members of management, and report to the board of directors in this respect;</li> <li>recommending candidates for the board of directors and the executive board; and</li> <li>proposing an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.</li> </ul>				
<p>3.4.7. The Committee <b>recommends</b> that the board of directors establish a <u>remuneration committee</u>, which is at least responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>recommending 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;</li> <li>making proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensuring 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 on the total remuneration that members of the board of directors and the executive board receive from other companies in the group;</li> </ul>		The company complies partially		<p>The Board of Directors has established a remuneration committee, which, prior to the general meeting in 2020, will recommend a remuneration policy to the Board of Directors for approval by the Board of Directors, with a view to approval by the general meeting.</p> <p>In continuation thereof, Harboe will prepare an annual remuneration report in 2021.</p>

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<ul style="list-style-type: none"> <li>recommending a remuneration policy applicable for the company in general; and</li> <li>assisting with the preparation of the annual remuneration report.</li> </ul>				
<p>3.4.8. The Committee <b>recommends</b> that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p>	The company complies			
<p><b>3.5. Evaluation of the performance of the board of directors and the executive board</b></p>				
<p>3.5.1. The Committee <b>recommends</b> that the board of directors establishes an evaluation procedure for an annual evaluation of the board of directors and the individual members. External assistance should be obtained at least every third year. The evaluation should inter alia include:</p> <ul style="list-style-type: none"> <li>contribution and results;</li> <li>cooperation with the executive board;</li> <li>the chairman’s leadership of the board of directors;</li> <li>the composition of the board of directors (including competencies, diversity and the number of members);</li> <li>the work in the committees and the committee structure; and</li> <li>the organisation and quality of the material that is submitted to the board of directors.</li> </ul> <p>The evaluation procedure and the general conclusions should be described in the management commentary and on the company’s website. The chairman should account for the evaluation of the board of directors, including the process and general conclusions, on the general meeting prior to the election of the board of directors.</p>			The company does not comply	<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 Chairmanship of the Board of Directors ensures that meetings are characterised by constructive dialogue, that individual members contribute in line with their competencies and that committees, work structure and materials are appropriate. Furthermore, the Chairmanship annually evaluates the Board of Directors’ work and the individual members’ contribution to this work.</p>

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<p>3.5.2. The Committee <b>recommends</b> that at least once annually, the board of directors evaluate the work and performance of the executive board in accordance with pre-defined criteria.</p> <p>Furthermore, the board of directors should evaluate the need for changes to the structure and composition of the executive board, in light of the company's strategy.</p>	The company complies			
<p>3.5.3. The Committee <b>recommends</b> 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 be 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. The Chairmanship 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 <b>recommends</b> that the board of directors prepare a remuneration policy for the board of directors and the executive board, which includes:</p>		The company complies partially		See explanation under 3.4.7. Harboe's Board of Directors generally



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<ul style="list-style-type: none"> <li>• a detailed description of the components of the remuneration for members of the board of directors and the executive board;</li> <li>• the reasons for choosing the individual components of the remuneration;</li> <li>• a description of the criteria that form the basis for the balance between the individual components of the remuneration; and</li> <li>• an explanation for the correlation between the remuneration policy and the company’s long-term value creation and relevant related goals.</li> </ul> <p>The remuneration policy should be approved by the general meeting at least every fourth year and upon any material amendments and it should be published on the company’s website.</p>				<p>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.</p> <p>The remuneration of the members of the Board of Executives and the Board of Directors is described in detail in the Chairman’s report, and the remuneration of the members of the Board of Directors will be approved at the annual general meeting.</p>
<p>4.1.2. The Committee <b>recommends</b> that if the remuneration policy includes variable components:</p> <ul style="list-style-type: none"> <li>• limits should be set on the variable components of the total remuneration package;</li> <li>• a reasonable and balanced composition should be maintained</li> </ul>	The company complies			

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<p>between remuneration for members of management and the value creation for shareholders in the short and long term;</p> <ul style="list-style-type: none"> <li>• clarity should be established about performance criteria and measurability for the award of variable components;</li> <li>• variable remuneration should not only consist of short-term remuneration components, and that long-term remuneration components must have a vesting or maturity period of at least three years; and</li> <li>• the company should have the ability to reclaim, in full or in part, variable components of remuneration that were paid on the basis of information which subsequently is found to be incorrect.</li> </ul>				
<p>4.1.3. The Committee <b>recommends</b> that remuneration of members of the board of directors does not include share options or warrants.</p>	The company complies			
<p>4.1.4. The Committee <b>recommends</b> that if, in relation to long-term incentive programmes, a share-based remuneration is used, the programmes should have a vesting or maturity period of at least three years after being allocated and should be roll-over programmes, i.e. the options should be granted periodically.</p>				Not relevant, see 4.1.3.
<p>4.1.5. The Committee <b>recommends</b> that the total value of the remuneration relating to the notice period, including severance pay,</p>	The company complies			

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does not exceed two years of remuneration, including all components of the remuneration.				
<i>4.2. Disclosure of remuneration</i>				
4.2.1. The Committee <b>recommends</b> that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's statement at the company's general meeting.		The company complies partially		See explanation under 4.1.1.
4.2.2. The Committee <b>recommends</b> that shareholders at the general meeting consider proposals for approval of remuneration for the board of directors for the current financial year.	The company complies			
4.2.3. The Committee <b>recommends</b> that the company prepares a remuneration report that includes information on the total remuneration received by each member of the board of directors and the executive board from the company and other companies in the group and associated companies for the last three years, including information on the most important content of retention and resignation arrangements and that the correlation between the remuneration and company strategy and relevant related goals be explained.		The company complies partially		See explanation under 4.1.1.

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The remuneration report should be published on the company's website.				
<b>5. Financial reporting, risk management and audits</b>				
<i>5.1. Identification of risks and transparency about other relevant information</i>				
5.1.1. The Committee <b>recommends</b> that the board of directors consider and in the management commentary 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>				
5.2.1. The Committee <b>recommends</b> that the board of directors establish a whistleblower scheme for expedient and confidential notification of serious wrongdoing or suspicions thereof.			The company does not comply	No whistleblower scheme has been established at present, but the Board of Directors regularly assesses the need for a whistleblower scheme.
<i>5.3. Contact to auditor</i>				
5.3.1. The Committee <b>recommends</b> that the board of directors ensure regular dialogue and exchange of information between the auditor elected by the general meeting and the board of directors, including that the	The company complies			

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<p>board of directors and the audit committee meet with the auditor elected by the general meeting at least once annually without the executive board present.</p> <p>This also applies to the internal auditor, if any.</p>				
<p>5.3.2. The Committee <b>recommends</b> that the audit agreement and auditor's fee be agreed by the board of directors and the auditor elected by the general meeting based on a recommendation from the audit committee.</p>	<p>The company complies</p>			