

CORPORATE GOVERNANCE

STATUTORY REPORT, CF. SECTION 107(B)
OF THE DANISH FINANCIAL STATEMENTS ACT
FINANCIAL YEAR 2023/24



RECOMMENDATIONS ON CORPORATE GOVERNANCE

RECOMMENDATION	THE COMPANY COMPLIES	THE COMPANY EXPLAINS	
		WHY	HOW
1. INTERACTION WITH THE COMPANY'S SHAREHOLDERS, INVESTORS AND OTHER STAKEHOLDERS			
1.1. Communication with the company's shareholders, investors and other stakeholders			
1.1.1. The Committee recommends that the management through ongoing dialogue and interaction ensures that shareholders, investors and other stakeholders gain the relevant insight into the company's affairs, and that the Board of Directors obtains the possibility of hearing and including their views in its work.	Harboe communicates regularly with shareholders, investors and other stakeholders through the publication of company announcements, annual reports, interim reports and trade statement, as well as information on the company's website. Harboe's management also participates in meetings with investors and other stakeholders. Reporting on dialogue with stakeholders is included in management's reporting to the Board of Directors.		
1.1.2. The Committee recommends that the company adopts policies on the company's relationships with its shareholders, investors and if relevant other stakeholders in order to ensure that the various interests are included in the company's considerations and that such policies are made available on the company's website.	Harboe has a policy for communication with investors and other stakeholders which is published on the company's website. The policy and related procedures is intended to ensure that the company communicates material information to its investors and other stakeholders in accordance with applicable regulations.		

RECOMMENDATION	THE COMPANY FOLLOWS	THE COMPANY EXPLAINS	
		WHY	HOW
1.1.3. The Committee recommends that the company publishes quarterly reports.		Harboe believes that trade statement are sufficient to keep the market informed of developments in the company, including the seasonal fluctuations that the company is affected by.	Harboe therefore publishes trading reports for Q1 and Q3.
1.2. General meeting			
1.2.1. The Committee recommends that the Board of Directors organises the company's general meeting in a manner that allows shareholders who are unable to attend the meeting in person or are represented by proxy at the general meeting to vote and raise questions to the management prior to or at the general meeting. The Committee recommends that the Board of Directors ensures that shareholders can observe the general meeting via webcast or other digital transmission.	Harboe's annual general meeting is organised so that shareholders can ask questions and submit postal votes or proxies to vote prior to the meeting. Harboe holds the annual general meeting both physically and via webcast.		
1.2.2. The Committee recommends that proxies and postal votes to be used at the general meeting enable the shareholders to consider each individual item on the agenda.	Proxies and postal votes for the annual general meeting are designed so that votes can be cast for each item on the agenda.		
1.3. Takeover bids			
1.3.1. The Committee recommends that the company has a procedure in place in the event of takeover bids, containing a "road map" covering matters for the Board of Directors to consider in the event of a takeover bid, or if the Board of Directors obtains reasonable grounds to suspect that a takeover bid may be submitted. In addition, it is recommended that it appears from the procedure that the Board of Directors abstains from countering any takeover bids by taking actions that seek to prevent the shareholders from deciding on the takeover bid, without the approval of the general meeting.	Harboe has a contingency procedure for takeover bids approved by the Board of Directors. The procedure contains an overview of the matters to be considered by the Board of Directors, as well as guidelines for reporting on the offer to the company's shareholders, preparing a recommendation from the Board of Directors and convening an extraordinary general meeting.		

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1.4. Corporate social responsibility			
1.4.1. The Committee recommends that the Board of Directors adopts a policy for the company's corporate social responsibility, including social responsibility and sustainability, and that the policy is available in the management commentary and/or on the company's website. The Committee recommends that the Board of Directors ensures compliance with the policy.	Harboe has a sustainability policy, which is available in the management commentary and on the Group's website. Harboe is also a signatory to the UN Global Compact and reports annually on the development of the Group's ESG work. Reviewing the policy and developments in the area of sustainability is part of the Board of Directors' annual cycle of work.		
1.4.2. The Committee recommends that the Board of Directors adopts a tax policy to be made available on the company's website.	Harboe has drawn up a tax policy which has been approved by the Board of Directors and published on the Group's website.		
2. THE DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS			
2.1 Overall tasks and responsibilities			
2.1.1. The Committee recommends that the Board of Directors in support of the company's statutory objects according to its articles of association and the long-term value creation considers the company's purpose and ensures and promotes a good culture and sound values in the company. The company should provide an account thereof in the management commentary and/or on the company's website.	Harboe's strategy also includes a formulation of the company's purpose, values and long-term financial goals. The purpose, strategy and goals are described in more detail in the annual report for 2023/24.		
2.1.2. The Committee recommends that the Board of Directors at least once a year discusses and on a regular basis follows up on the company's overall strategic targets in order to ensure the value creation in the company.	In 2023/24, Harboe's Board of Directors discussed and followed up on the company's strategy and goals regularly and at a strategy seminar during the year.		
2.1.3. The Committee recommends that the Board of Directors on a continuously basis takes steps to examine whether the company's share and capital structure supports the strategy and the long-term value creation in the interest of the company as well as the shareholders. The Committee recommends that the company gives an account thereof in the management commentary.	Discussion of the company's capital and share structure is a fixed item in the Board of Directors' annual cycle of work. The outcome of the discussions is presented in the management commentary.		

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2.1.4. The Committee recommends that the Board of Directors prepares and on an annual basis reviews guidelines for the executive management, including requirements in respect of the reporting to the Board of Directors.	The Board of Directors has drawn up instructions for the executive management which set out guidelines for the executive management's work and responsibilities, including requirements for reporting to the board.		
2.2. Members of the Board of Directors			
2.2.1. The Committee recommends that the Board of Directors, in addition to a chairperson, appoints a vice chairperson, who can step in if the chairperson is absent and who can generally act as the chairperson's close sparring partner.		The Board of Directors does not have a vice chair, but has instead found it useful and efficient to distribute the vice chair's responsibilities and duties among several board members.	As part of the organisation of the work of the Board of Directors, the specific qualifications, tasks and areas of responsibility that each member represents and is responsible for have been formulated for each member. This provides motivation for active board involvement, supports the preparation of board meetings and ensures the efficient execution of the Board of Directors' work. At the same time, it activates the Board of Directors' commercial and market qualifications to best support the executive management's work with strategic priorities.
2.2.2. The Committee recommends that the chairperson in cooperation with the individual members of the Board of Directors ensures that the members update and supplement their knowledge of relevant matters, and that the members' special knowledge and qualifications are applied in the best possible manner.	The Board of Directors is composed with a view to ensuring that it collectively has the competencies necessary for the company. The need for competencies and updating them is included in the annual board evaluation.		

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<p>2.2.3. The Committee recommends that if the Board of Directors, in exceptional cases, requests a member of the Board of Directors to take on special duties for the company, for instance, for a short period to take part in the daily management of the company, the Board of Directors should approve this in order to ensure that the Board of Directors maintains its independent overall management and control function. It is recommended that the company publishes any decision on allowing a member of the Board of Directors to take part in the daily management, including the expected duration thereof.</p>	<p>The members of the Board of Directors are not involved in the day-to-day management. If this should happen, the company will announce it in a company announcement. In the event that a member of the Board of Directors might perform other special duties for the company, this is done on the basis of an approval by the Board of Directors.</p>		
<h3>3. THE COMPOSITION, ORGANISATION AND EVALUATION OF THE BOARD OF DIRECTORS</h3> <h4>3.1. Composition</h4>			
<p>3.1.1. The Committee recommends that the Board of Directors on an annual basis reviews and in the management commentary and/or on the company's website states</p> <ul style="list-style-type: none"> • which qualifications the Board of Directors should possess, collectively and individually, in order to perform its duties in the best possible manner, and • the composition of and diversity on the Board of Directors. 	<p>The competencies, composition and diversity of the Board of Directors are described in the management commentary and on the company's website.</p>		
<p>3.1.2. The Committee recommends that the Board of Directors on an annual basis discusses the company's activities in order to ensure relevant diversity at the different management levels of the company and adopts a diversity policy, which is included in the management commentary and/or available on the company's website.</p>	<p>Harboe has drawn up a policy for diversity, equality and inclusion which has been approved by the Board of Directors and published on the company's website. The policy is updated annually by the Board of Directors.</p>		

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<p>3.1.3. The Committee recommends that candidates for the Board of Directors are recruited based on a thorough process approved by the Board of Directors. The Committee recommends that in assessing candidates for the Board of Directors – in addition to individual competencies and qualifications – the need for continuity, renewal and diversity is also considered.</p>	<p>Recruitment of candidates for the Board of Directors is handled by the Nomination and Remuneration Committee appointed by the Board of Directors. The recruitment process includes a number of factors that are taken into account, including the company's strategy, the need for competencies and renewal, and diversity. The Nomination and Remuneration Committee recommends candidates for the Board of Directors' approval prior to nomination for election at the annual general meeting.</p>		
<p>3.1.4. The Committee recommends that the notice convening general meetings, where election of members to the Board of Directors is on the agenda - in addition to the statutory items - also includes a description of the proposed candidates'</p> <ul style="list-style-type: none"> • qualifications, • other managerial duties in other commercial undertakings, including board committees, • demanding organisational assignments and • independence 	<p>The notice convening the annual general meeting describes the nominated candidates' qualifications, other managerial duties and any other demanding assignments, as well as the independence of each candidate. The information is also available on the company's website.</p>		
<p>3.1.5. The Committee recommends that members to the Board of Directors elected by the general meeting stand for election every year at the annual general meeting, and that the members are nominated and elected individually.</p>	<p>The members of the Board of Directors elected by the annual general meeting are elected for one year at a time and are nominated and elected individually.</p>		

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3.2. The Board of Directors' independence			
<p>3.2.1. The Committee recommends that at least half of the members of the Board of Directors elected by the annual general meeting are independent in order for the Board of Directors to be able to act independently avoiding conflicts of interests.</p> <p>In order to be independent, the member in question may not:</p> <ul style="list-style-type: none"> • be or within the past five years have been a member of the executive management or an executive employee in the company, a subsidiary or a group company, • within the past five years have received large emoluments from the company/group, a subsidiary or a group company in another capacity than as member of the Board of Directors, • represent or be associated with a controlling shareholder, • within the past year have had a business relationship (e.g. personally or indirectly as a partner or an employee, shareholder, customer, supplier or member of a governing body in companies with similar relations) with the company, a subsidiary or a group company which is significant for the company and/or the business relationship, • be or within the past three years have been employed with or a partner in the same company as the company's auditor elected in general meeting, • be a CEO in a company with cross-memberships in the company's management, • have been a member of the Board of Directors for more than twelve years, or • be closely related to persons, who are not independent, cf. the above-stated criteria. <p>Even if a member of the Board of Directors does not fall within the above-stated criteria, the Board of Directors may for other reasons decide that the member in question is not independent.</p>	<p>Half of the members of the Board of Directors elected by the annual general meeting are independent. The reason for the non-independent candidates' non-independency is described in detail in the notice convening the annual general meeting.</p>		

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<p>3.2.2. The Committee recommends that members of the executive management are not members of the Board of Directors and that members retiring from the executive management does not join the Board of Directors immediately thereafter.</p>	<p>No members of the executive management are also members of the Board of Directors.</p>	<p>Chair of the Board of Directors Bernhard Griese and board member Ruth Schade are former members of Harboe's executive management and can thus be characterised as non-independent members.</p>	<p>The two board members contribute significant knowledge about the company and its challenges and opportunities. At the same time, they contribute to continuance of the company's values and visions for the future.</p>
<p>3.3. Members of the Board of Directors and the number of other managerial duties</p>			
<p>3.3.1. The Committee recommends that the Board of Directors and each of the members on the Board of Directors, in connection with the annual evaluation, cf. recommendation 3.5.1., assesses how much time is required to perform the board duties. The aim is for the individual member of the Board of Directors not to take on more managerial duties than the board member in question is able to perform in a satisfactory manner.</p>	<p>Harboe's Board of Directors conducts an annual evaluation, which also includes an assessment of the time spent in relation to the resources expected to be used in connection with the board work at Harboe.</p>		
<p>3.3.2. The Committee recommends that the management commentary, in addition to the statutory requirements, contains the following information on the individual members of the Board of Directors:</p> <ul style="list-style-type: none"> • position, age and gender, • competencies and qualifications relevant to the company, • independence, • year of joining the Board of Directors, • year of expiry of the current election period, • participation in meetings of the Board of Directors and committee meetings, • managerial duties in other commercial undertakings, including board committees, and demanding organisational assignments, and • the number of shares, options, warrants, etc. that the member holds in the company and its group companies and any changes in such holdings during the financial year. 	<p>In the management commentary and on the company's website, information about each member is provided in accordance with the recommendations. In addition, the reason for non-independence is detailed for those members who are considered non-independent members of the Board of Directors.</p>		

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		WHY	HOW
3.4. Board committees			
<p>3.4.1. The Committee recommends that the management describes in the management commentary:</p> <ul style="list-style-type: none"> • the board committees' most significant activities and number of meetings in the past year, and • the members on the individual board committees, including the chairperson and the independence of the members of the committee in question. • In addition, it is recommended that the board committees' terms of reference are published on the company's website. 	<p>The Corporate Governance section of the management commentary provides an overview of the most important activities and topics dealt with by the individual board committees, the chair and members of the committees, the number of meetings and each member's participation in the meetings. The terms of reference for the committees are published on the Group's website.</p>		
<p>3.4.2. The Committee recommends that board committees solely consist of members of the Board of Directors and that the majority of the members of the board committees are independent.</p>	<p>The board committees under Harboe's Board of Directors consist solely of board members.</p>	<p>The composition of the board committees under Harboe's Board of Directors is determined taking into account the members' special qualifications and experience.</p>	<p>Half of the members of the Audit Committee are independent, while the majority of the members of the Nomination and Remuneration Committee are considered non-independent.</p>

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<p>3.4.3. The Committee recommends that the Board of Directors establishes an Audit Committee and appoints a chair of the Audit Committee who is not the chair of the Board of Directors. The Committee recommends that the audit committee, in addition to its statutory duties, assists the Board of Directors in:</p> <ul style="list-style-type: none"> • supervising the correctness of the published financial information, including accounting practices in significant areas, significant accounting estimates and related party transactions, • reviewing internal control and risk areas in order to ensure management of significant risks, including in relation to the announced financial outlook, • assessing the need for internal audit, • performing the evaluation of the auditor elected by the general meeting, • reviewing the auditor fee for the auditor elected by the general meeting, • supervising the scope of the non-audit services performed by the auditor elected by the general meeting, and • ensuring regular interaction between the auditor elected by the general meeting and the Board of Directors, for instance, that the Board of Directors and the audit committee at least once a year meet with the auditor without the executive management being present. <p>If the Board of Directors, based on a recommendation from the audit committee, decides to set up an internal audit function, the audit committee must:</p> <ul style="list-style-type: none"> • prepare terms of reference and recommendations on the nomination, employment and dismissal of the head of the internal audit function and on the budget for the department, • ensure that the internal audit function has sufficient resources and competencies to perform its role, and • supervise the executive management's follow-up on the conclusions and recommendations of the internal audit function. 	<p>Harboe has appointed an Audit Committee with a chair who is not the chair of the Board of Directors. The Audit Committee's duties are defined in the terms of reference for the committee and are in line with the recommendations. The Board of Directors has not established an internal audit function.</p>		

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<p>3.4.4. The Committee recommends that the Board of Directors establishes a nomination committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> • describing the required qualifications for a given member of the Board of Directors and the executive management, the estimated time required for performing the duties of this member of the Board of Directors and the competencies, knowledge and experience that is or should be represented in the two management bodies, • on an annual basis evaluating the Board of Directors and the executive management's structure, size, composition and results and preparing recommendations for the Board of Directors for any changes, • in cooperation with the chairperson handling the annual evaluation of the Board of Directors and assessing the individual management members' competencies, knowledge, experience and succession as well as reporting on it to the Board of Directors, • handling the recruitment of new members to the Board of Directors and the executive management and nominating candidates for the Board of Directors' approval, • ensuring that a succession plan for the executive management is in place, • supervising executive managements' policy for the engagement of executive employees, and • supervising the preparation of a diversity policy for the Board of Directors' approval. 	<p>The Board of Directors has appointed a Nomination and Remuneration Committee. The Nomination and Remuneration Committee's duties are set out in the terms of reference for the committee and are in line with the recommendations.</p>		

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<p>3.4.5. The Committee recommends that the Board of Directors establishes a remuneration committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none">• preparing a draft remuneration policy for the Board of Directors' approval prior to the presentation at the general meeting,• providing a proposal to the Board of Directors on the remuneration of the members of the executive management,• providing a proposal to the Board of Directors on the remuneration of the Board of Directors prior to the presentation at the general meeting,• ensuring that the management's actual remuneration complies with the company's remuneration policy and the evaluation of the individual member's performance, and• assisting in the preparation of the annual remuneration report for the Board of Directors' approval prior to the presentation for the general meeting's advisory vote.	<p>Harboe's Board of Directors has appointed a Nomination and Remuneration Committee. The Nomination and Remuneration Committee's duties are set out in the terms of reference for the committee and are in line with the recommendations.</p>		

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		WHY	HOW
3.5. Evaluation of the Board of Directors and the executive management			
<p>3.5.1. The Committee recommends that the Board of Directors once a year evaluates the Board of Directors and at least every three years engages external assistance in the evaluation. The Committee recommends that the evaluation focuses on the recommendations on the Board of Directors' work, efficiency, composition and organisation, cf. recommendations 3.1.-3.4. above, and that the evaluation as a minimum always includes the following topics:</p> <ul style="list-style-type: none"> • the composition of the Board of Directors with focus on competencies and diversity, • the Board of Directors and the individual member's contribution and results, • the cooperation in the Board of Directors and between the Board of Directors and the executive management, • the chairperson's leadership of the Board of Directors, • the committee structure and the work in the committees, • the organisation of the work of the Board of Directors and the quality of the material provided to the Board of Directors, and • the board members' preparation for and active participation in the meetings of the Board of Directors. 	<p>Harboe's Board of Directors conducts an annual board evaluation organised in accordance with the recommendations. In 2023, the Board of Directors had external assistance to carry out the board evaluation.</p>		
<p>3.5.2. The Committee recommends that the entire Board of Directors discusses the result of the evaluation of the Board of Directors and that the procedure for the evaluation and the general conclusions of the evaluation are described in the management commentary, on the company's website and at the company's general meeting.</p>	<p>The board evaluation is conducted by the chair of the Nomination and Remuneration Committee. The process and main conclusions from the evaluation are discussed by the entire Board of Directors.</p>		
<p>3.5.3. The Committee recommends that the Board of Directors at least once a year evaluates the work and results of the executive management according to pre-established criteria, and that the chairperson reviews the evaluation together with the executive management. In addition, the Board of Directors should on a continuous basis assess the need for changes in the structure and composition of the executive management, including in respect of diversity, succession planning and risks, in light of the company's strategy.</p>	<p>As part of the annual evaluation of the Board of Directors, an evaluation of the executive management is also carried out. Main conclusions from the evaluation are addressed by the entire Board of Directors in accordance with the recommendation.</p>		

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		WHY	HOW
4. REMUNERATION OF MANAGEMENT			
4.1. Remuneration of the Board of Directors and the executive management			
4.1.1. The Committee recommends that the remuneration for the Board of Directors and the executive management and the other terms of employment/service is considered competitive and consistent with the company's long-term shareholder interests.	The Board of Directors has drawn up a remuneration policy designed to attract, motivate and retain qualified members of the Board of Directors and executive management, and to ensure alignment of interests between management and the company's shareholders.		
4.1.2. The Committee recommends that share-based incentive schemes are revolving, i.e. that they are periodically granted, and that they primarily consist of long-term schemes with a vesting or maturity period of at least three years.	In accordance with the company's remuneration policy, Harboe does not have share-based incentive schemes.		
4.1.3. The Committee recommends that the variable part of the remuneration has a cap at the time of grant, and that there is transparency in respect of the potential value at the time of exercise under pessimistic, expected and optimistic scenarios.	Harboe has an incentive-based cash bonus scheme for the executive management The bonus scheme is a maximum of 50% of the fixed annual salary as defined in the Group's remuneration policy.		
4.1.4. The Committee recommends that the overall value of the remuneration for the notice period, including severance payment, in connection with a member of the executive management's departure, does not exceed two years' remuneration including all remuneration elements.	The notice period for the executive management is a maximum of 24 months. In the event of a change of control of the company, the notice period may be extended by six months.		
4.1.5. The Committee recommends that members of the Board of Directors are not remunerated with share options and warrants.	Harboe's Board of Directors is remunerated solely with a fixed annual fee.		

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<p>4.1.6. The Committee recommends that the company has the option to reclaim, in whole or in part, variable remuneration from the Board of Directors and the executive management if the remuneration granted, earned or paid was based on information, which subsequently proves to be incorrect, or if the recipient acted in bad faith in respect of other matters, which implied payment of a too large variable remuneration.</p>	<p>In accordance with Harboe's remuneration policy, variable remuneration awarded or paid to the executive management may in special cases be fully or partially reduced or repaid. This can happen in cases where the variable remuneration was granted, earned or paid based on information that subsequently proves to be incorrect or the conditions for payment have changed. Reduction or refund claims can be made up to 12 months after being granted.</p>		
<p>5. RISK MANAGEMENT</p> <p>5.1. Identification of risks and openness in respect of additional information</p>			
<p>5.1.1. The Committee recommends that the Board of Directors based on the company's strategy and business model considers, for instance, the most significant strategic, business, accounting and liquidity risks. The company should in the management commentary give an account of these risks and the company's risk management.</p>	<p>Discussion of strategy, business model, risks and the company's financial position are fixed elements in the Board of Directors' annual cycle of work. Risks and risk management are discussed in the management commentary.</p>		
<p>5.1.2. The Committee recommends that the Board of Directors establishes a whistleblower scheme, giving the employees and other stakeholders the opportunity to report serious violations or suspicion thereof in an expedient and confidential manner, and that a procedure is in place for handling such whistleblower cases.</p>	<p>Harboe has a whistleblower scheme administered by an external partner.</p>		

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