

CORPORATE GOVERNANCE

STATUTORY REPORT IN ACCORDANCE WITH SECTION 107 B OF
THE DANISH FINANCIAL STATEMENTS ACT

2022/23 FINANCIAL YEAR

RECOMMENDATIONS FOR GOOD CORPORATE GOVERNANCE

RECOMMENDATION	COMPANY COMPLIES	COMPANY EXPLAINS	
		WHY	HOW
1. INTERACTION WITH THE COMPANY'S SHAREHOLDERS, INVESTORS AND OTHER STAKEHOLDERS			
1.1. Dialogue between shareholders, investors and other stakeholders			
1.1.1. The Committee recommends that the management ensures ongoing dialogue between shareholders, investors and other stakeholders so that they gain relevant insight into the company's affairs and in order for the Board of Directors to be aware of and include their opinions in its work.	Harboe communicates regularly with shareholders, investors and other stakeholders through the publication of company announcements, annual reports, interim reports and trading reports, as well as information on the company's website. Harboe's management also attends meetings with investors and other stakeholders. Reporting on stakeholder dialogue is included in management reporting to the Board of Directors.		
1.1.2. The Committee recommends that the company prepares policies for relations with shareholders, investors and possibly also other stakeholders 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 associated procedures is designed to ensure that the company communicates material information to its investors and other stakeholders in accordance with applicable regulations.		
1.1.3. The Committee recommends that the company publishes quarterly reports.		Harboe did not publish quarterly reports in 2022-2023, but the Group plans to publish quarterly reports from the 2023-2024 financial year.	To keep the market informed of developments, Harboe published trading reports for Q1 and Q3 in 2022-2023 instead.

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1.2. Annual general meeting			
1.2.1. The Committee recommends that the Board of Directors arranges the company's general meeting so that shareholders who cannot be physically present or represented at the general meeting can vote and ask questions to the management prior to or at the general meeting. The Committee recommends that the Board of Directors ensures that shareholders are able to attend the general meeting via webcast or other digital transmission.	Harboe's general meetings are arranged so that shareholders can ask questions and vote by post or by proxy prior to the general meeting. Harboe arranges the general meeting both physically and via webcast.		
1.2.2. The Committee recommends that shareholders are able to vote on each item on the agenda in proxies or postal votes for the general meeting.	Proxies and postal votes for the general meeting are prepared 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 sets up a contingency procedure in the event of takeover bids that contains a "roadmap" of the matters that the Board of Directors should consider and decide on if a takeover bid has been made or the Board of Directors has a reasonable suspicion that a takeover bid may be made. Furthermore, the Committee recommends that it be stated in the procedure that, without the approval of the general meeting, the Board of Directors will refrain from countering a takeover bid by taking steps to prevent the shareholders from deciding on the takeover bid.	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.		
1.4. Relationship with the surrounding community			
1.4.1. The Committee recommends that the Board of Directors approves a policy for the company's corporate social responsibility, including social responsibility and sustainability, and that the policy is available in the management report 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 report and on the Group's website. Harboe is also a signatory to the Global Compact and reports annually on developments in the Group's sustainability work. Reviewing sustainability policy and developments in this area is part of the Board's annual cycle of work.		

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1.4.2. The Committee recommends that the Board of Directors approves a tax policy to be made available on the company's website.	Harboe has prepared a tax policy, which has been approved by the Board of Directors and published on the Group's website.		
2. TASKS AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS			
2.1 Overall tasks and responsibilities			
2.1.1. The Committee recommends that as part of its support of the company's statutory purpose and long-term value creation, the Board of Directors addresses the company's purpose and ensures and promotes a good culture and values within the company. The company should explain this in the management report 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. Purpose, strategy and goals are described in more detail in the 2022/2023 Annual Report.		
2.1.2. The Committee recommends that the Board of Directors discusses and regularly follows up on the company's overall strategic goals at least once a year to ensure value creation in the company.	In 2022/2023, Harboe's Board of Directors discussed and followed up on the company's strategy and goals on an ongoing basis and at several strategy seminars during the year.		
2.1.3. The Committee recommends that the Board of Directors regularly reviews whether the company has a capital and share structure that supports a strategy and long-term value creation that is in the interest of both the company and the shareholders. The Committee recommends that the company accounts for this in the management report.	Discussing the company's capital and share structure is a regular aspect of the Board's annual cycle of work. The outcome of the discussions is presented in the management report.		
2.1.4. The Committee recommends that the Board of Directors prepares and annually reviews guidelines for the Executive Board, including requirements for reporting to the Board of Directors.	The Board of Directors has prepared instructions for the Executive Board, which set out the guidelines for the work and responsibilities of the Executive Board, including requirements for Board reporting.		

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2.2 Board members			
2.2.1. The Committee recommends that the Board, in addition to a chair, has a vice chair who can step in when the chair is absent and otherwise be a close sparring partner for the chair.		The Board does not have a vice chair, but has instead found it useful and efficient to distribute the responsibilities and tasks of a vice chair among several Board members.	As part of the organisation of the work of the Board of Directors, the special competences, tasks and areas of responsibility that each member of the Board of Directors represents and is responsible for have been formulated for each member of the Board of Directors. This motivates the active involvement of the Board, supports the preparation of Board meetings and ensures the efficient performance of the Board's work. At the same time, it mobilises the Board's commercial and market competences to best support the Executive Board's work on strategic priorities.
2.2.2. The Committee recommends that the chair, in collaboration with the individual Board members, ensures that the members regularly update and supplement their knowledge of relevant matters and that the members' special knowledge and competences are utilised in the best possible way.	The composition of the Board of Directors is designed to ensure that collectively it has the competences required for the company. The need for competences and the requirement to update these competences is part of the annual Board evaluation.		
2.2.3. The Committee recommends that if the Board of Directors exceptionally asks a Board member to perform special tasks for the company, such as briefly participating in the day-to-day management, the Board of Directors should authorise this in order to ensure that the Board of Directors retains independent overall management and its monitoring role. The Committee recommends that the company publicly discloses its decision on a Board member's participation in the day-to-day management and how long this is expected to last.	Board members are not part of the day-to-day management. Should this happen, the company will announce this in a company announcement. If a member of the Board of Directors performs other special duties for the company, this is based on an authorisation by the Board of Directors.		

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3. BOARD COMPOSITION, ORGANISATION AND EVALUATION			
3.1. Composition			
<p>3.1.1. The Committee recommends that the Board of Directors annually reviews and discloses in the management report and/or on the company's website</p> <ul style="list-style-type: none"> • which collective and individual competences the Board should have at its disposal in order to best fulfil its tasks, and • Board composition and diversity. 	<p>The competences, composition and diversity of the Board of Directors are described in the management report and on the company's website.</p>		
<p>3.1.2. The Committee recommends that the Board of Directors annually discusses the company's activities to ensure the relevant diversity at management level within the company, and approves a diversity policy, which is available in the management report and/or on the company's website.</p>	<p>Harboe has prepared a diversity, equality and inclusion policy, 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 as part of its consideration of the Group's strategy and goals.</p>		
<p>3.1.3. The Committee recommends that the recruitment of candidates to the Board of Directors follows a thorough process approved by the Board of Directors. The Committee recommends that, in addition to individual competences and qualifications, the assessment of Board candidates also takes account of the need for continuity, renewal and diversity.</p>	<p>Recruitment of candidates to 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 consideration, including the company's strategy, the need for competences, renewal and diversity. The Nomination and Remuneration Committee recommends candidates for approval by the Board of Directors prior to nomination for election at the annual general meeting.</p>		

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<p>3.1.4. The Committee recommends that the notice convening general meetings where elections to the Board of Directors are on the agenda should, in addition to the information required by law, also outline the nominated candidates'</p> <ul style="list-style-type: none"> • competences, • other managerial posts in other commercial companies, including management committees, • demanding organisational duties and • independence 	<p>Notices convening general meetings outline the nominated candidates' competences, other managerial posts and any other demanding duties, 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 Board members elected by the general meeting stand for election every year at the annual general meeting, and that they are nominated and elected individually.</p>	<p>Members of the Board of Directors elected by the general meeting are elected for a term of one year and are nominated and elected individually.</p>		

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3.2. Independence of the Board of Directors			
<p>3.2.1. The Committee recommends that at least half of the Board members elected by the general meeting are independent in order for the Board to act independently of special interests.</p> <p>To be considered independent, they may not:</p> <ul style="list-style-type: none"> • be or within the past five years have been a member of the Executive Board or a senior executive in the company, a subsidiary or an associated company, • 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, • represent or be associated with a controlling shareholder, • within the past year, have had a business relationship (for example, personally or indirectly as a partner or employee, shareholder, customer, supplier or member of management in companies with a similar connection) with the company, a subsidiary or an associated company that is material to the company and/or the business relationship, • be or within the past three years have been employed or been a partner in the same company as the company's auditor appointed by the general meeting, • be part of the executive management in a company with cross-management representation in the company, • have been a member of the Board of Directors for more than 12 years, or • be a close relative of persons who are not considered independent, see the criteria above. <p>Even if a Board member is not covered by the above criteria, the Board may decide that the member is not independent for other reasons.</p>	<p>Half of the members of the Board of Directors elected by the general meeting are independent. The reason for the dependency of dependent candidates is described in detail in notices convening general meetings.</p>		

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<p>3.2.2. The Committee recommends that members of the Executive Board are not members of the Board of Directors and that a member standing down from the Executive Board does not immediately join the Board of Directors.</p>	<p>No member of the Executive Board is also a member of the Board of Directors.</p>	<p>Chair of the Board of Directors, Bernhard Griese, and Board member, Ruth Schade, are former members of the Executive Board of Harboe and thus designated as dependent members.</p>	<p>The two Board members bring significant knowledge of the company and its challenges and opportunities. At the same time, they contribute to pursuing the company's values and vision for the future.</p>
<p>3.3. Board members and number of other managerial posts</p>			
<p>3.3.1. The Committee recommends that, in connection with the annual evaluation, cf. recommendation 3.5.1, the Board of Directors and each individual Board member assess how much time should be spent on Board work. The aim is to ensure that individual Board members do not take on more duties than they can complete at a satisfactory level for the company.</p>	<p>Harboe's Board of Directors carries out an annual evaluation, which also includes an assessment of the time spent in relation to the resources that are expected to be used in connection with Board work at Harboe.</p>		
<p>3.3.2. The Committee recommends that, in addition to the statutory requirements, the management report contains the following information about the individual members of the Board of Directors:</p> <ul style="list-style-type: none"> • position, age and gender, • competences and qualifications relevant to the company, • independence, • year of appointment to the Board of Directors, • expiry of the current election term, • participation in Board and committee meetings, • managerial posts in other commercial companies, including management committees and demanding organisational duties, and • the number of shares, options, warrants and similar owned by the member in the company and other Group companies, as well as changes to the member's portfolio of the said securities which have occurred during the financial year. 	<p>Information about each individual member in accordance with the recommendations is provided in the management report and on the company's website. Furthermore, the reason for dependency is detailed in the case of those members who are considered dependent members of the Board of Directors.</p>		

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3.4. Management committee			
<p>3.4.1. The Committee recommends that the management describes the following in the management report:</p> <ul style="list-style-type: none"> • the most important activities of the management committees and the number of meetings held during the year; and • the members of each management committee, including the chair of the committee and the independence of its members. • The Committee further recommends that the terms of reference of the management committees are published on the company's website. 	<p>The Corporate Governance section of the management report provides an overview of the most important activities and topics discussed in the individual management committees, the chairs and members of the committees, the number of meetings and the individual members' attendance at 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 management committees consist solely of Board members and that the majority of the members of a management committee are independent.</p>	<p>The management committees under Harboe's Board of Directors consist solely of members of the Board of Directors.</p>	<p>The composition of the management committees under Harboe's Board of Directors is determined in accordance with the members' special competences 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 dependent.</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 the duties set out in legislation, assists the Board of Directors in:</p> <ul style="list-style-type: none"> • overseeing the accuracy of published financial information, including accounting policies in the most significant areas, material accounting estimates and transactions with related parties, • reviewing the internal control and risk areas to ensure management of the greatest risks, including in relation to announced expectations, • assessing the need for an internal audit, • evaluating the auditor appointed by the general meeting, • reviewing the audit fee to the auditor appointed by the general meeting, • overseeing the limits for non-audit services performed by the auditor appointed by the general meeting; and • ensuring regular dialogue between the auditor appointed by the general meeting and the Board of Directors, e.g., by the Board of Directors and the audit committee meeting with the auditor at least once a year without the Executive Board being present. <p>If the Board of Directors, based on a recommendation from the audit committee, decides to establish an internal audit function, the audit committee shall have the task of:</p> <ul style="list-style-type: none"> • developing terms of reference and recommendations for the selection, appointment and dismissal of the head of the internal audit function and the department budget, • ensuring that the internal audit function has sufficient resources and competences to fulfil its role; and • monitoring the Executive Board's follow-up of internal audit findings and recommendations. 	<p>Harboe has set up an Audit Committee with a chair who is not the chair of the Board of Directors. The duties of the Audit Committee 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 with at least the following preparatory duties:</p> <ul style="list-style-type: none"> • describing the qualifications required for a given position on the Board of Directors and Executive Board, the estimated time commitment for the various positions on the Board of Directors, and the competences, knowledge and experience that are/should be available in the two governing bodies, • annually assessing the structure, size, composition and performance of the Board of Directors and Executive Board and making recommendations to the Board of Directors on any changes, • in collaboration with the chair, conducting the annual Board evaluation and assessing the competences, knowledge, experience and succession of the individual Board members and reporting to the Board on this, • managing the recruitment of new members of the Board of Directors and Executive Board and recommending candidates for approval by the Board of Directors, • ensuring there is a succession plan for the Executive Board, • monitoring the Executive Board's policy for hiring senior executives, and • overseeing the development of a diversity policy for approval by the Board of Directors. 	<p>The Board of Directors has established a Nomination and Remuneration Committee. The duties of the Nomination and Remuneration Committee 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 with at least the following preparatory duties:</p> <ul style="list-style-type: none"> • preparing a draft of the remuneration policy for approval by the Board of Directors prior to recommendation for approval by the general meeting, • presenting proposals to the Board of Directors on remuneration for members of the Executive Board, • presenting proposals to the Board of Directors on remuneration for members of the Board of Directors for recommendation to the general meeting, • ensuring that management's remuneration is in line with the company's remuneration policy and the assessment of individual performance, and • assisting in the preparation of the annual remuneration report for approval by the Board of Directors prior to recommendation to the general meeting for an advisory vote. 	<p>Harboe's Board of Directors has established a Nomination and Remuneration Committee. The duties of the Nomination and Remuneration Committee are set out in the terms of reference for the committee and are in line with the recommendations.</p>		

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3.5. Evaluation of the performance of the Board of Directors and Executive Board			
<p>3.5.1. The Committee recommends that the Board of Directors conducts a Board evaluation once a year and involves external assistance in the evaluation at least every three years. The Committee recommends that the evaluation focuses on the recommendations for the Board of Director's work, efficiency, composition and organisation, cf. recommendations 3.1.-3.4. above, and as a minimum always includes the following topics:</p> <ul style="list-style-type: none"> • the composition of the Board of Directors with a focus on competences and diversity, • the contributions and achievements of the Board of Directors and individual members, • collaboration within the Board of Directors and between the Board of Directors and the Executive Board, • the chair's leadership of the Board of Directors, • the committee structure and the work of the committees, • the organisation of Board work and the quality of material provided to the Board of Directors, and • Board members' preparation for and active participation in meetings. 	<p>Every year, Harboe's Board of Directors conducts a Board evaluation organised in accordance with the recommendations. In 2023, the Board of Directors had external assistance with the Board evaluation.</p>		
<p>3.5.2. The Committee recommends that the full Board of Directors discusses the results of the Board evaluation and that the evaluation process and the overall conclusions of the evaluation are discussed in the management report, on the company's website and at the company's annual general meeting.</p>	<p>The Board evaluation is conducted by the chair of the Nomination and Remuneration Committee, and in 2023, also with the help of external assistance. The process and main conclusions from the evaluation are discussed by the full Board.</p>		
<p>3.5.3. The Committee recommends that the Board of Directors evaluates the work and performance of the Executive Board at least once a year according to predetermined criteria, and that the chair reviews this with the Executive Board. Furthermore, the Board of Directors should regularly assess the need for changes to the structure and composition of the Executive Board, including diversity, succession plans and risks, taking into account the company's strategy.</p>	<p>An evaluation of the Executive Board is carried out in connection with the annual evaluation of the Board of Directors. The main conclusions from the evaluation are discussed by the full Board of Directors in accordance with the recommendation.</p>		

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4. MANAGEMENT REMUNERATION			
4.1. Remuneration to the Board of Directors and Executive Board			
4.1.1. The Committee recommends that the remuneration paid to the Board of Directors and the Executive Board and other conditions of employment are both competitive and compatible with the long-term interests of the company's shareholders.	The Board of Directors has drawn up a remuneration policy designed with a view to attracting, motivating and retaining qualified members of the Board of Directors and Executive Board and ensuring 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., with periodic allocations, and primarily long-term with a vesting or maturity period of at least three years.	In accordance with the company's remuneration policy, Harboe does not have any share-based incentive schemes.		
4.1.3. The Committee recommends that the variable component of remuneration has a cap at the time of awarding and that there is transparency regarding the potential value on the exercise date under pessimistic, expected and optimistic scenarios.	Harboe has an incentive-based cash bonus scheme for the Executive Board. The bonus scheme amounts to a maximum of 50% of the fixed annual salary as set out in the Group's remuneration policy.		
4.1.4. The Committee recommends that the total value of the remuneration relating to the notice period, including severance pay, upon resignation of a member of the Executive Board does not exceed two years' remuneration including all components of the remuneration.	The notice period for the Executive Board is a maximum of 24 months. However, in the event of a change in the control of the company, the notice period may be extended by six months.		
4.1.5. The Committee recommends that remuneration for members of the Board of Directors does not include share options and warrants.	Members of Harboe's Board of Directors are only paid a fixed annual fee.		

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<p>4.1.6. The Committee recommends that the company has the option to demand full or partial repayment of variable remuneration for both the Executive Board and the Board of Directors if the remuneration has been awarded, earned or paid on the basis of information that is subsequently found to be incorrect, or if the recipient acted in bad faith in relation to other circumstances that led to the payment of excessive variable remuneration.</p>	<p>In accordance with Harboe's remuneration policy, in special cases, variable remuneration awarded or paid to the Executive Board may be reduced or repaid in full or in part. This can happen in cases where the variable remuneration has been awarded, earned or paid on the basis of information that is subsequently found to be incorrect, or if the conditions for payment change. Claims for reduction or repayment can be made for a period of up to 12 months after the payment has been awarded.</p>		
<p>5. RISK MANAGEMENT</p> <p>5.1. Identification of risks and disclosure of additional relevant information</p>			
<p>5.1.1. The Committee recommends that, based on the company's strategy and business model, the Board of Directors considers, for example, the most material strategic, business, accounting and liquidity risks. The company should explain these and the company's risk management in the management report.</p>	<p>Consideration of strategy, business model, risks and the company's financial position are regular aspects of the Board's annual cycle of work. Risk conditions and risk management are discussed in the management report.</p>		
<p>5.1.2. The Committee recommends that the Board of Directors sets up a whistleblower scheme that allows employees and other stakeholders to report serious misconduct or suspected misconduct in an appropriate and confidential manner, and that there is a procedure for handling such whistleblower cases.</p>	<p>Harboe has a whistleblower scheme administered by an external partner.</p>		

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