

## **Statutory corporate governance statement, cf. section 107b of the Danish Financial Statements Act**

This statement is part of the management report in Brødrene Hartmann A/S' annual report for 2018 covering the period 1 January to 31 December 2018.

The statement includes a description of Hartmann's management structure as well as a description of the main elements of the company's internal control and risk management systems in connection with financial reporting. In addition, the statement provides Hartmann's standings on the Danish Committee on Corporate Governance's recommendations implemented in Nasdaq Copenhagen's Rules for issuers of shares. These recommendations are available at [www.corporategovernance.dk](http://www.corporategovernance.dk).

### **Management structure**

#### **Shareholders**

Shareholders can exercise their rights at the general meeting, which is the company's supreme governing body. All shareholders are entitled to attend and vote at general meetings, in person or by proxy. Resolutions passed at general meetings are generally passed by a simple majority of votes. However, resolutions to amend the company's articles of association and certain other resolutions require the support of two-thirds of both the votes cast and of the voting stock represented at the general meeting.

#### **Board of directors**

Hartmann's board of directors is responsible for the overall management of the company and resolves matters relating to Hartmann's strategic development, financial forecasts, risk factors, acquisitions and divestments as well as major development and investment projects. Furthermore, the board of directors supervises the executive board.

The board of directors consists of six members, four of whom are elected by the shareholders and two by the employees. Board members elected by the shareholders are elected for terms of one year and are eligible for re-election. Board members elected by the employees are elected for terms of four years in accordance with the provisions of the Danish Companies Act.

Board members are nominated for election at the general meeting on the basis of an overall assessment of individual competencies and their contribution to an appropriate composition of the combined competencies and the profile of the board of directors. Priority is given to ensuring that the board of directors possesses skills in the areas of international management, the processing industry and packaging business, business-to-business sales and marketing, international production and supply chain management as well as finance and accounting. In connection with the nomination of new candidates for the board of directors at a general meeting, a presentation is submitted to shareholders of the candidates' competencies, other directorships and managerial positions as well as of the criteria applied in the nomination.

The work of the board of directors is governed by rules of procedure, which have been prepared in accordance with the provisions of the Danish Companies Act and are subject to annual review. In 2018, the board of directors held 16 meetings. The chairman of the board of directors performed the self-evaluation of the board in 2018 based on individual interviews with each member of the board of directors and the executive board. The subjects discussed included the contributions and achievements of each board member, the composition of the board of directors, the collaboration with the executive board and the committee structure. Following the individual interviews, key subjects were discussed with all board members present. In response to the previously identified need to strengthen the board of directors by adding relevant

qualifications, the board of directors has concluded that increasing the number of board members elected by the shareholders from four to six as of the annual general meeting to be held in April 2019 would strengthen the board's work.

Hartmann has established an audit committee whose main duties are monitoring the group's risk management, preparation of financial statements, financial reporting and internal controls as well as monitoring and communicating with the auditor appointed by the shareholders. In addition, the board of directors has charged the audit committee with receiving and considering reports made through the company's whistleblower programme. The committee is comprised of at least two board members, meets six or seven times a year and reports to the board of directors on a regular basis. The committee convened six times in 2018. The charter of the committee is available at [investor.hartmann-packaging.com](http://investor.hartmann-packaging.com).

The members of the executive board participate in board meetings with a view to ensuring that the board of directors is kept well informed about the company's operations. The members of the executive board may speak but cannot vote at board meetings, and they are not present when matters reserved for the board of directors are considered.

### **Executive board**

The executive board of Hartmann is appointed by the board of directors and is responsible for the company's day-to-day management, including the development of the company's operations, results of operations and internal development. The executive board is responsible for implementing Hartmann's strategy and the overall resolutions approved by the board of directors.

### **Remuneration of members of the board of directors and the executive board**

Hartmann seeks to ensure that the remuneration of the board of directors and the executive board is at a competitive and reasonable level compared with companies of the same size and complexity as that of Hartmann to ensure that Hartmann is able to attract and retain competent executives.

The members of the board of directors receive a fixed fee, the amount of which is subject to shareholder approval. The members of the board of directors are not eligible for any incentive-based remuneration.

The remuneration and employment terms of the members of the executive board are determined by the board of directors, which also evaluates the work of the executive board. The members of the executive board receive a fixed annual salary and a performance-related cash bonus. The remuneration paid in 2018 is specified in note 9 to the financial statements in the annual report for 2018, and Hartmann's remuneration policy and remuneration report are available at [investor.hartmann-packaging.com](http://investor.hartmann-packaging.com).

### **Changes to the board of directors**

At the annual general meeting held on 18 April 2018, Jan Klarskov Henriksen (CEO of Aviagen Broiler Breeding Group Inc.) was elected to the board of directors, while Niels Hermansen, who did not offer himself for re-election, resigned.

Jørn Mørkeberg Nielsen will not seek re-election at the annual general meeting to be held on 9 April 2019.

### **Changes to the executive board**

CEO Ulrik Kolding Hartvig passed away on 18 February 2018, and the CFO at the time, Marianne Rørslev Bock, was appointed interim CEO. On 15 March 2018, Torben Rosenkrantz-Theil, Senior Vice President in charge of Hartmann's European business, was appointed CEO.

On 29 June 2018, Marianne Rørslev Bock announced her resignation as CFO of Hartmann to pursue a career as CFO of Scandinavian Tobacco Group A/S.

On 18 September 2018, Flemming Steen was appointed CFO of Hartmann, replacing Marianne Rørslev Bock.

## **Internal controls and risk management**

In connection with its financial reporting process, Hartmann has set up a number of internal controls to ensure that the company's financial reporting gives a true and fair view free from material misstatement. The internal control and risk management systems also ensure that the financial reporting is in compliance with applicable laws and standards.

The audit committee regularly considers whether there is a need for establishing an internal audit function. Due to Hartmann's limited size and limited accounting and auditing complexity, these tasks are undertaken by the central finance function and the individual subsidiaries.

Hartmann continually enhances its control and risk management systems, which serve to reduce the risk of errors or irregularities not being detected and corrected in due time. These systems may be divided into:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring

### **Control environment**

At regular intervals, the audit committee assesses Hartmann's overall organisational structure and organisation and the staffing of the functions that are important to internal controls and risk management.

The overall operational responsibility for risk management and internal controls relating to financial reporting rests with the executive board. In collaboration with the local management of the individual subsidiaries, the executive board assesses whether the group has an appropriate and effective control environment. The executive board reports regularly to the board of directors on the development of Hartmann's operations, the company's financial performance and risk exposure.

Hartmann's central finance function is responsible for risk management and internal controls relating to the financial reporting. The finance function prepares group policies and instructions in the accounting area and ensures that the company has permanent procedures in place for the preparation of financial statements, including an assessment of new accounting regulations and the presentation of the financial reporting to Hartmann's stakeholders.

The financial reporting process is subject to systematic, ongoing evaluation in collaboration with the audit committee. The tasks and focus areas of the audit committee are updated every year in the form of an annual plan. According to the annual plan, the tasks of the audit committee include monitoring the financial reporting process in connection with the publication of annual and interim reports, including a review of accounting policies and significant accounting estimates and judgments.

### **Risk assessment**

The audit committee regularly assesses Hartmann's most significant risk exposures. The assessment is based on regular reporting by the executive board and reporting in connection with significant external or internal events. The assessment also comprises a formal assessment of the risks relating to all important resolutions, e.g. in relation to major investments etc.

The board of directors regularly assesses risks that directly or indirectly affect the financial reporting, including risks relating to IT, fraud or irregularities.

### **Control activities**

Compliance with the rules on internal control and risk management is controlled locally and as part of the controlling of companies and activities. Hartmann's control activities are intended to ensure that its rules

and procedures are complied with, that errors, irregularities and flaws are minimised and that rules and procedures are developed.

The auditor appointed by the shareholders reports any material weaknesses of the internal control and risk management systems to the audit committee and the board of directors or, in the event of less severe matters, to the executive board. The audit committee, the board of directors and the executive board are responsible for addressing such weaknesses.

### **Information and communication**

Hartmann's financial reporting procedures are set out in reporting instructions, which are updated as and when needed. The instructions are intended to ensure that Hartmann complies with its disclosure requirements in accordance with laws, executive orders and other regulations. Hartmann seeks to maintain a high information and communication level in order to ensure a high level of quality in its regular reporting, which forms the basis of the company's presentation of financial statements and financial control.

### **Monitoring**

Hartmann monitors and collects financial reporting data through an integrated finance and information system, which provides the finance function with a high degree of transparency in relation to the individual business units. This enables the finance function to analyse the reported data for errors or irregularities and to detect any weaknesses in the internal controls, as well as any non-compliance with the company's procedures, policies, etc.

The executive board and the board of directors receive monthly reports.

## Corporate governance recommendations

According to section 107b of the Danish Financial Statements Act and rule 4.1 of Nasdaq Copenhagen's Rules for Issuers of Shares, Hartmann is required to report on its compliance with the recommendations of the Committee on Corporate Governance using the "comply-or-explain" principle.

Accordingly, the board of directors has considered the recommendations and finds that Hartmann complies with the majority of them. Apart from the recommendations and Nasdaq Copenhagen's rules, Hartmann's corporate governance is also based on the Danish Companies Act, the Danish Financial Statements Act, IFRS, the EU's Market Abuse Regulation (MAR), the Danish Capital Markets Act, Hartmann's articles of association and best practice for businesses of the same size and with the same global coverage as Hartmann.

<b>CORPORATE GOVERNANCE RECOMMENDATIONS</b>	<b>HARTMANN'S PRACTICES</b>
<p><b>I. Communication and interaction by the company with its investors and other stakeholders</b></p> <p>The company's investors, employees and other stakeholders have a joint interest in stimulating the company's growth, and in the company always being in a position to adapt to changing demands, thus allowing the company to remain competitive and to create value.</p> <p>Therefore, it is essential to establish a positive interaction not merely between management and investors, but also in relation to other stakeholders.</p> <p>Good corporate governance is also about establishing appropriate frameworks that enable investors to engage in dialogue with management.</p> <p>Openness and transparency are essential conditions for the company's investors and other stakeholders to have regular access to evaluate and relate to the company and its future, and thus engage in a constructive dialogue with the company.</p> <p>The company's management must ensure an appropriate and balanced development of the company in the short and long term.</p>	
<p><u>I.1. Dialogue between company, shareholders and other stakeholders</u></p> <p>I.1.1. <b>The committee recommends</b> that the board of directors ensure ongoing dialogue</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The board of directors considers the company's general meetings to be the main forum of dialogue</p>

<p>between the company and its shareholders in order for the shareholders to gain relevant insight into the company, and in order for the board of directors to be aware of the shareholders' views, interests and opinions on the company.</p> <p><b>Comment:</b> The company's dialogue with its shareholders may be summarised in an Investor Relations strategy on the type of information to be published, the language to be used, as well as how, when and to whom this should be published.</p> <p>The insight of the board of directors into the dialogue may possibly be established through participation in investor meetings or reporting from such meetings, or through regular reporting from the executive board.</p> <p>On behalf of the board of directors, the chairman should ensure good and constructive relations with the shareholders.</p>	<p>between shareholders and between shareholders and the company's management, while company announcements, financial reports and Hartmann's website constitute the hub of ongoing communication between the company and its shareholders.</p> <p>Hartmann emphasises the importance of giving all investors equal access to information, and the board of directors has adopted an investor relations strategy and an investor relations policy. The investor relations policy is available on the company's website. The company's website also contains an archive of all company announcements in English and Danish, a Corporate Governance section and presentations, which are made available at the same time as they are made. Hartmann's stakeholders can also subscribe to reports and announcements from the company.</p> <p>Hartmann regularly provides information to investors, analysts and the press about relevant matters through meetings and presentations. Furthermore, Hartmann's management and investor relations manager are available to respond to enquiries.</p> <p>The executive board reports to the board of directors on the ongoing dialogue with shareholders.</p>
<p><b>1.1.2. The committee recommends</b> that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders, and that the board ensure that the interests of the shareholders are respected in accordance with company policies.</p> <p><b>Comment:</b> A communication policy, an investor relations policy and a tax policy are examples of policies that the board of directors may adopt.</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>Hartmann's board of directors has adopted an investor relations policy and a tax policy, which are managed by the audit committee. The board regularly reviews other policies for the company's relations with its key stakeholders.</p>
<p><b>1.1.3. The committee recommends</b> that the company publish quarterly reports.</p> <p><b>Comment:</b> Interim announcements are not quarterly reports and are not regarded as fulfilling the recommendation. Regular information to the market concerning the company's situation generates openness and transparency in relation to investors and other stakeholders. Quarterly reports are an essential tool for ensuring this.</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>Hartmann publishes quarterly reports.</p>
<p><b>1.2 General meeting</b></p> <p><b>1.2.1. The committee recommends</b> that, when organising the company's general meeting, the board of directors plan the meeting to support</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>Hartmann encourages its shareholders to attend the company's general meetings.</p>

<p>active ownership.</p> <p><b>Comment:</b> When organising the general meeting, it is important to ensure that shareholders have the opportunity to participate, including voting without physical attendance at the general meeting. Considerations should address the possibility of holding the general meeting electronically, wholly or in part, to enable the shareholders to influence the company's management on the development of the company in the short and long term.</p>	<p>This is ensured by measures such as informing shareholders of the date of the annual general meeting well in advance by including the date in Hartmann's financial calendar, which is released not later than by the end of the preceding year and, if possible, in connection with the interim report for the third quarter of the preceding financial year. The financial calendar is also available on the company's website.</p> <p>Furthermore, notices convening general meetings are distributed in due time for the shareholders to prepare for the general meeting. Notices are always published in accordance with the requirements set out in the Danish Companies Act and are available on the company's website together with information on shares and voting rights and other information, as well as online features for requesting admission cards, appointing proxies and registering for the general meeting.</p> <p>In the event that the agenda includes special items, the notice convening the meeting is drawn up in such a way that the shareholders are provided with adequate information on the business to be transacted and the various options for resolutions.</p> <p>The company further ensures that shareholders may at any time ask questions and provide comments at general meetings, and the board of directors considers on an annual basis whether to hold the general meeting electronically, wholly or in part. Shareholders can submit questions relating to the agenda and any other material to be used at the general meeting prior to the general meeting, provided that, for practical reasons, such questions are received by the company not later than three days prior to the date of the general meeting.</p>
<p><b>1.2.2 The committee recommends</b> that proxies or votes by post for the general meeting allow shareholders to consider each individual item on the agenda.</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The proxy form made available to the shareholders by the company for the purpose of general meetings is structured as a menu-based proxy, allowing shareholders the possibility of taking a position on each individual item on the agenda.</p>
<p><b>1.3 Takeover bids</b></p> <p><b>1.3.1. The committee recommends</b> that the company set up contingency procedures in the event of takeover bids, from the time that the</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The board of directors has set up contingency procedures for takeover bids in accordance with</p>

<p>board of directors has reason to believe that a takeover bid will be made. 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> <p><b>Comment:</b> The board of directors should ensure that contingency procedures are available in the event of takeover bids. Such contingency procedures aim at ensuring that the shareholders have a real opportunity to decide whether or not they wish to dispose of their shares in the company under the terms offered, and that the board of directors</p> <ul style="list-style-type: none"> <li>• is informed about the formal conditions in the event of external enquiries,</li> <li>• has discussed who will assume which tasks, and which advisors will be consulted,</li> <li>• is ready for the challenges that may be associated with the value creation in the company, cf. the comment on recommendation 2.1.2.</li> </ul> <p>The board of directors will not be in conflict with the recommendations if it seeks alternative (competing) takeover bids in order to create value for its shareholders.</p>	<p>the recommendation.</p> <p>The board of directors is aware of its obligations in the event that a public takeover bid is made for the company's shares. The board of directors attaches great importance to safeguarding the interests of shareholders and maintaining a high level of information.</p> <p>In compliance with applicable regulations, the board of directors will prepare a statement in the event of a takeover bid, setting out the position of the board of directors. Based on such statement, the shareholders are given an opportunity to decide individually on the offer submitted.</p>
<p><b>2 Tasks and responsibilities of the board of directors</b></p> <p>It is incumbent upon the board of directors to carefully protect the interests of the shareholders with due consideration for the other stakeholders.</p> <p>The board of directors is responsible for the overall and strategic management of the company to ensure value creation in the company. The board of directors must lay down the strategic goals of the company and ensure that the prerequisites necessary in order to reach such goals are present, in the form of financial resources and competences, and to ensure appropriate organisation of the activities of the company.</p> <p>The prerequisite for meeting the company's strategic goals is that the board of directors employs a competent executive board, lays down the division of responsibilities between the board of directors</p>	



<p>and the executive board, the tasks and employment relationships of the executive board, and also establishes clear guidelines for accountability, planning, follow-up and risk management. The board of directors must supervise the executive board and lay down guidelines for the supervision.</p> <p>The board of directors is responsible for ensuring the development, retention or dismissal of the executive board, as well as for ensuring that remuneration of the executive board reflects the long-term value creation in the company and the results otherwise achieved by the executive board.</p> <p>The chairman of the board of directors organises, convenes and leads meetings of the board of directors to ensure efficiency in the board's work and to create the best possible working conditions for the members individually and collectively. This ensures that the individual member's special knowledge and skills are used in the best possible manner and to the benefit of the company.</p> <p>In order for the board of directors to be able to meet its obligations, the chairman, in collaboration with the other members of the board of directors, should ensure that members regularly update and improve their knowledge on matters relevant to the company, and ensure that the special knowledge and skills of each individual member are used in the best possible manner and to the benefit of the company.</p>	
<p><u>2.1 Overall tasks and responsibilities</u></p> <p>2.1.1. <b>The committee recommends</b> 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.</p> <p><b>Comment:</b> Through appropriate planning of the tasks of the board of directors, sufficient time should be available for the board to discuss the company's overall strategic goals and value creation. Setting up an annual plan - the "annual wheel" - may contribute to ensuring appropriate processing of the tasks of the board of directors adapted to the activities and needs of the company. A review of the rules of procedure for the board of directors is also part of this plan.</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The board of directors defines its most important tasks every year. The discussions are focused on:</p> <ul style="list-style-type: none"> <li>• considering the company's overall strategic goals and value creation;</li> <li>• ensuring expedient collaboration and a sound distribution of duties among the board of directors and the executive board;</li> <li>• ensuring the availability of the necessary management skills and financial resources;</li> <li>• ensuring efficient management, adequate reporting systems and financial controls as well as cost discipline;</li> <li>• ensuring an open and honest business conduct consistent with the values of Hartmann;</li> <li>• maintaining an independent audit.</li> </ul>

	The board of directors draws up an annual plan and reviews its rules of procedure annually.
<p>2.1.2. <b>The committee 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> <p><b>Comment:</b> Strategy discussions should focus on implementation through a plan for value creation comparable to alternative scenarios. The results of these discussions may form the basis for further discussion on whether the company's strategy sufficiently responds to the company's short and long-term opportunities and challenges.</p> <p>The ongoing strategy work should be planned such that the board of directors has a real possibility of influencing the company's strategic direction. This could be by involving the board of directors in the strategy work along the way.</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The overall tasks of the board of directors are laid down in section 115 of the Danish Companies Act. The board of directors works towards constant progress for Hartmann in order to maximise shareholder value and preserve the trust and confidence the stakeholders have in the company. This involves ensuring the development of a strategy that balances considerations for growth, risk and profitability.</p> <p>The board of directors discusses and adopts the group's strategy at an annual strategy seminar and implements the strategy through a plan for value creation.</p>
<p>2.1.3. <b>The committee recommends</b> 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 interest of the shareholders and the company, and that the board of directors present this in the management commentary and/or on the company's website.</p> <p><b>Comment:</b> For the purpose of these recommendations, capital and share structures refer to the size of the share capital, the denomination, the number of share classes and the voting rights attached to the share classes, including restrictions on voting rights, the right to dividends, the distribution between equity financing and loan capital financing, treasury shares, share buy-backs, etc. The key element of this assessment is to ensure that the company is adequately capitalised and ensure adequate liquidity of the share and a reasonable distribution of risk and influence.</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>Hartmann regularly assesses the company's capital and share structures and provides an account of these assessments in its annual report.</p> <p>A statement concerning the company's capital and share structures is also found on the company's website.</p>
<p>2.1.4. <b>The committee 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.</p> <p><b>Comment:</b> Guidelines on the division of responsibilities between the board of directors and the executive board should lay down more detailed frameworks for the interaction, including e.g.</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The board of directors reviews and approves the guidelines for the executive board annually.</p>

<p>investment rules and the division of responsibilities between members of the executive board. If the board of directors or the executive board has special requests for work procedures, approval of policies and powers, this should be included in the guidelines.</p>	
<p>2.1.5. <b>The committee recommends</b> that at least once a year the board of directors discuss the composition of the executive board, as well as developments, risks and succession plans.</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The board of directors annually discusses the composition of the executive board, as well as developments, risks and succession plans.</p>
<p><u>2.2 Corporate social responsibility</u></p> <p>2.2.1. <b>The committee recommends</b> that the board of directors adopt policies on corporate social responsibility.</p> <p><b>Comment:</b> In this connection, the board of directors may take a position on the company's possible adoption of recognised national and international voluntary initiatives.</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>Hartmann is active in the fields of environmental and social sustainability. In 2003, Hartmann endorsed the UN Global Compact, the UN's global forum for responsible business management. Hartmann has therefore undertaken to integrate the fundamental principles of the UN Global Compact in the areas of human rights and environmental protection in its corporate strategy, corporate culture and business practices.</p> <p>Furthermore, the company publishes a Communication On Progress report according to international guidelines defined by the UN Global Compact pursuant to section 99 a of the Danish Financial Statements Act.</p>
<p><u>2.3 Chairman and vice-chairman of the board of directors</u></p> <p>2.3.1. <b>The committee 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.</p> <p><b>Comment:</b> The rules of procedure of the board of directors may include a general description of the tasks, duties and responsibilities of the chairman and the vice chairman.</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The board of directors has appointed a vice chairman whose role is consistent with the recommendations.</p> <p>The tasks, duties and responsibilities of the chairman and vice chairman are set out in the rules of procedure.</p>
<p>2.3.2. <b>The committee 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</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>Under the rules of procedure, the chairman or other board members may not undertake any offices on behalf of the company which do not form part of the board or committee work. However, if</p>

<p>directors maintains its independent, general management and control function. Resolutions on the chairman's or other board members' participation in day-to-day management and the expected duration hereof should be publicly announced.</p> <p><b>Comment:</b> An adequate division of responsibilities should be ensured between the chairman, the vice chairman, the other members of the board of directors and the executive board. An agreement whereby the chairman or other board members undertake special tasks should include provisions on the special precautions taken to protect the distribution of roles and responsibilities in the board of directors and between the board of directors and the executive board.</p>	<p>specifically required, the chairman or other board members may perform tasks which the chairman is requested to perform by and on behalf of the board of directors. If, in exceptional cases, the performance of such tasks is required, the tasks will be performed in compliance with the recommendations.</p>
<p><b>3 Composition and organisation of the board of directors</b></p> <p>The board of directors should be composed so that it is able to execute its strategic, managerial and supervisory tasks.</p> <p>It is essential that the board of directors be composed so as to ensure effective performance of its tasks in a constructive and qualified dialogue with the executive board. It is also essential that the members of the board of directors always act independently of special interests.</p> <p>The board of directors defines the skills required by the company and regularly assesses whether its composition and the skills of its members individually and collectively reflect the requirements of the company's situation and conditions.</p> <p>Diversity improves the quality of the work and the interaction of the board of directors, e.g. through different approaches to the performance of management tasks.</p> <p>To increase value creation, the board of directors should evaluate its members every year and ensure integration of new talent while maintaining continuity.</p> <p>In addition to the members of the board of directors elected by the general meeting, the board of directors may comprise members elected by the employees pursuant to the regulations of the Companies Act.</p>	

<p><b>3.1 Composition</b></p> <p><b>3.1.1. The committee recommends</b> that the board of directors annually account for</p> <ul style="list-style-type: none"> <li>• the skills it must have to best perform its tasks,</li> <li>• the composition of the board of directors, and</li> <li>• the special skills of each member.</li> </ul>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The board of directors is aware of the significance of having the proper skills, and this is discussed as part of the annual self-evaluation. The description of skills is contained in Hartmann's statutory statement of corporate governance, which is available on the company's website, and the proposal for nomination/replacement given to the shareholders is prepared on the basis of this.</p>
<p><b>3.1.2. The committee 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. The policy should be published on the company's website.</p> <p><b>Comment:</b> Diversity includes, among other things, age, international experience and gender. A policy on diversity should concern matters relevant to the company in relation to diversity and which promote a relevant degree of diversity, strengthen management's qualifications and competencies and consider the future development of the company.</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The board of directors discusses the company's activities on an annual basis with a view to ensuring diversity at management levels.</p> <p>Hartmann's policy on gender composition at management levels is available on the company's website.</p>
<p><b>3.1.3. The committee recommends</b> that the selection and nomination of candidates for the board of directors be carried out through a thoroughly transparent process approved by the board of directors. 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>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The board of directors assesses each candidate against a range of criteria, including the candidate's professional qualifications, business experience, personal qualities, whether the candidate's profile matches the needs of the group, and whether the candidate is available for participation in board work to the extent necessary.</p> <p>In that connection, the board of directors takes into account the need for integration of new talent and the need for diversity in relation to age, international experience, gender, etc.</p>
<p><b>3.1.4. The committee 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</li> </ul>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The notice convening the general meeting includes information on the candidates' background, skills and other executive functions.</p> <p>The annual report and notices convening general meetings at which members are to be elected to the board of directors contain information about the board members elected by the shareholders/new candidates who are not independent members according to the definition.</p>

<p>enterprises, and</p> <ul style="list-style-type: none"> <li>• demanding organisational tasks.</li> </ul> <p>Furthermore, it should be indicated if the candidates to the board of directors are considered independent.</p> <p><b>Comment:</b> The description may contain information about recruitment criteria established by the board of directors, including requirements for professional and personal qualifications, industrial experience, diversity (e.g. age, international experience and gender), educational background or other qualities that the board of directors deems to be paramount to be represented on the board of directors. The nomination to the general meeting on the composition of the board of directors should be drawn up in light of this.</p>	
<p><b>3.1.5. The committee 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 of the same company.</p> <p><b>Comment:</b> Proper division of responsibilities as well as independence should be ensured between the board of directors and executive board, and similarly, it should be ensured that the new chief executive officer is able to act independently of the previous chief executive officer.</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The board of directors emphasises the importance of the company’s board of directors being independent of the executive board.</p>
<p><b>3.1.6. The committee 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><b>Hartmann complies with this recommendation.</b></p> <p>Board members elected by the shareholders are elected for terms of one year at the annual general meeting.</p>
<p><b>3.2 Independence of the board of directors</b></p> <p><b>3.2.1. The committee 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>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 a</li> </ul>	<p><b>Hartmann complies with this recommendation.</b></p> <p>All board members elected by the shareholders are independent according to the definition.</p>

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 or be associated with 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 been a partner in the same company as the auditor elected by the general meeting,
- have been chief executive in a company holding cross-memberships with the company,
- have been a member of the board of directors for more than 12 years, or
- have been close relatives with persons who are not considered independent.

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.

**Comment:** The board of directors decides which members are considered independent persons. When applying the independence criteria, the board of directors should focus on substance rather than form.

Independence means that the person in question does not have close ties to or represent the executive board, the chairman of the board of directors, controlling shareholders or the company.

The fact that a member of the board of directors was elected by votes of a controlling shareholder does not in itself influence the assessment of that member's independence. There are other factors that affect the question of independence, including whether the person in question is a member of

<p>management or has close ties to the company's controlling shareholder.</p> <p>If the board of directors determines that several members of the board of directors are associated with shareholders with significant influence, the board of directors should consider whether its composition is satisfactory in relation to independence. It is the opinion of the Committee that an indication of significant influence is when a shareholder holds more than 20% of the voting rights.</p> <p>Cross-management representation is seen, for example, where a member of the board of directors in company A is a member of the executive board in company B, while at the same time a member of the board of directors in company B is a member of the executive board in company A. A similar situation may arise when a member of the board of directors has significant relations to members of the executive board in the company through involvement in other companies or entities.</p> <p>In the view of the Committee, employee representatives are not independent.</p>	
<p><u>3.3 Members of the board of directors and the number of other executive functions</u></p> <p>3.3.1. <b>The committee recommends</b> that each member of the board of directors assess the expected time commitment for each function in order that the member does not take on more functions than he/she can manage satisfactorily for the company.</p> <p><b>Comment:</b> A member of the board of directors who is also a member of the executive management of a company should generally not take on more than a few non-executive directorships or one chairmanship and one non-executive directorship in companies not forming part of the group. This assessment should also consider the number and scope of committee posts and other positions of trust.</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The individual members of the board of directors do not hold more functions than he/she deems appropriate, taking into account whether he/she is able to undertake the board work in a manner which is satisfactory to the company.</p>
<p>3.3.2. <b>The committee recommends</b> that the management commentary, in addition to the provisions laid down by legislation, include the following information about the members of the board of directors:</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The company publishes such information in its annual report in compliance with the recommendation.</p>



<ul style="list-style-type: none"> <li>• the position of the relevant person,</li> <li>• the age and gender of the relevant person,</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 date of appointment to the board of directors of the member,</li> <li>• expiry of the current election period,</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 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.</li> </ul> <p><b>Comment:</b> Participation in meetings of the board of directors and committees promotes a necessary and constructive debate, and information on member participation in such meetings is therefore relevant information. Physical participation should be the norm, however participation via digital media is also regarded as participation.</p>	
<p><b>3.3.3. The committee 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, taking into account the number, level and complexity of the other individual management functions.</p> <p><b>Comment:</b> On an annual basis, the board of directors must carry out a specific and individual evaluation of what would be regarded as a reasonable level of other management functions for each individual member. The evaluation of other management functions must include the magnitude and scope of each individual function.</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>In connection with the annual self-evaluation, Hartmann carries out a specific and individual evaluation of the magnitude and scope of other management functions performed by board members.</p>

<p><b>3.4 Board committees</b></p> <p>Board committees can contribute towards efficiency and improving the quality of the work performed by the board of directors. Board committees are committees established by the board of directors.</p> <p>A board committee should be set up with the sole purpose of facilitating the transaction of business by the board of directors and must not cause significant information required by all members of the board of directors only to be communicated to the board committee, or that the processing required in the board of directors be limited or omitted.</p> <p>The board of directors remains fully responsible for all decisions prepared by a board committee.</p> <p>The board of directors should consider whether the company is particularly exposed, or whether other matters might motivate setting up further permanent committees other than the audit, nomination and remuneration committees. This may help obtain better exploitation of the special competences of the board of directors. For example, this could be research and development or risk committees.</p> <p>The board of directors may also set up ad hoc committees in connection with special tasks or issues of significant, though temporary nature. This may help ensure the required focus on the task in question as well as temporal prioritisation. Such issues could be CSR, ethical or image-related issues, large acquisitions or takeover bids. The recommendations do not include ad hoc committees.</p>	
<p><b>3.4.1. The committee 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 on which members are independent members and which members have special</li> </ul>	<p><b>Hartmann complies with this recommendation.</b></p> <p>Hartmann publishes such information on the company's website in compliance with the recommendation.</p>

qualifications.	
<p>3.4.2. <b>The committee recommends</b> that a majority of the members of a board committee be independent.</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The board of directors ensures compliance with the recommendation when a board committee is established.</p> <p>A resolution to let the full board of directors undertake the function of a board committee will always be subject to an assessment as to whether special requirements for the committee are met in the board of directors in compliance with the recommendations.</p>
<p>3.4.3. <b>The committee recommends</b> that the members of the board of directors set up among its members an <u>audit committee</u> and that a chairman be appointed who is not the chairman of the board of directors.</p> <p><b>Comment:</b> The audit committee should only consist of members of the board of directors and not external parties, as these parties do not have the same insight into company matters and are not necessarily subject to the same responsibility as members of the board of directors.</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>Hartmann has established an audit committee.</p> <p>The chairman of the board of directors is not a member of the audit committee.</p> <p>The audit committee consists of two members appointed by the board of directors.</p> <p>The members are appointed for terms of one year and have special professional expertise and experience in financial reporting, accounting and auditing.</p>
<p>3.4.4. <b>The committee 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:</p> <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>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The audit committee meets 4-5 times a year according to a detailed meeting schedule. Additional meetings may be scheduled as and when required.</p> <p>Four of the annual meetings are held prior to the release of the company's annual report and other financial reporting. The audit committee reports to the board of directors on these matters.</p>
<p>3.4.5. <b>The committee recommends</b> that the audit committee:</p> <ul style="list-style-type: none"> <li>• annually assess the need for an internal audit, and in such case, present 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> </ul>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The board of directors regularly considers whether there is a need for establishing an internal audit function.</p> <p>Due to Hartmann's limited size and the limited complexity of its accounting and auditing, these tasks are undertaken by the central finance</p>

<ul style="list-style-type: none"> <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> <p><b>Comment:</b> If a decision is made to establish an internal audit function, the board of directors may choose to outsource the task. The party in question will carry out the internal audit and refer to the board of directors or the audit committee.</p>	<p>function and the individual subsidiaries.</p> <p>The audit committee has considered whether there is such a need and agrees with the full board of directors.</p>
<p><b>3.4.6. The committee 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 to serve on 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 competences, knowledge and experience represented by the two governing bodies,</li> <li>• annually assessing the structure, size, composition and results of the board of directors and the executive board and recommending any changes to the board of directors,</li> <li>• annually assessing the competencies, knowledge, experience and succession of the individual members of management, and reporting 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 and the executive board on the future composition of the board of directors, including proposals for specific changes.</li> </ul> <p><b>Comment:</b> When electing candidates for the board of directors, external assistance should be considered.</p>	<p><b>Hartmann does not comply with this recommendation.</b></p> <p>Due to the limited complexity of the company's management, Hartmann did not have a nomination committee in 2018. Board work relating to nomination was prepared by the chairman and vice chairman, who would then submit their proposals to the full board of directors.</p> <p>Based on the resolution of the general meeting of 19 April 2018 to expand and strengthen the board of directors, the board of directors has resolved to set up a combined nomination and remuneration committee in 2019.</p>

<p><b>3.4.7. The committee 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 amount of remuneration that members of the board of directors and the executive board receive from other companies in the group,</li> <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><b>Comment:</b> Consider getting external assistance in the preparation of the incentive pay scheme.</p>	<p><b>Hartmann does not comply with this recommendation.</b></p> <p>As a consequence of the board of directors' decision to maintain a simple remuneration structure without share-based incentive schemes for either the board of directors or the executive board, Hartmann did not have a remuneration committee in 2018. Board work relating to remuneration, including assistance in preparing the remuneration report, was prepared by the chairman and vice chairman, who would then submit their proposals to the full board of directors.</p> <p>Due to the ever growing requirements for reporting on management remuneration and the resolution of the general meeting of 19 April 2018 to expand and strengthen the board of directors, the board of directors has resolved to set up a combined nomination and remuneration committee in 2019.</p> <p>The board of directors has adopted a remuneration policy applicable for the company in general.</p>
<p><b>3.4.8. The committee recommends</b> that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p>	<p><b>NA.</b></p> <p>Hartmann has not established a remuneration committee, for which reason this recommendation is not relevant.</p>
<p><b>3.5 Evaluation of the performance of the board of directors and the executive board</b></p> <p>The evaluation process is to form the basis for continuous improvements in board work and is to ensure that the board of directors continues to have the right composition and regularly introduces new talent. Involving external assistance in the evaluation process may be considered periodically.</p>	
<p><b>3.5.1 The committee recommends</b> that the board of directors establish an evaluation procedure for an annual evaluation of the board of directors and its individual members. External assistance should be obtained at least every third</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The board of directors performs an annual evaluation of the work of the board of directors and the</p>

<p>year. The evaluation should include:</p> <ul style="list-style-type: none"> <li>• contributions 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 of the committees and the committee structure, and</li> <li>• the organisation of the work and the 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, at the general meeting prior to the election of the board of directors.</p> <p><b>Comment:</b> The evaluation of individual members could be carried out as an assessment that is carried out by the other members and members of the executive board. The evaluation is followed up by an annual interview between the chairman and the individual member. If no external assistance has been used, the evaluation of the chairman should be undertaken by a member other than the chairman.</p> <p>To increase value creation, the board of directors should carry out an annual evaluation of its composition and ensure integration of new talent, while maintaining continuity. The evaluation should form the basis for new initiatives to be launched, such as relevant supplementary training, bringing in new talent or replacing existing members.</p> <p>This evaluation will also include participation by the individual members in board and committee meetings.</p>	<p>executive board.</p> <p>The evaluation is conducted by the chairman and, at least every three years, by an external consultant, and the results are discussed by the full board of directors.</p> <p>The evaluation procedure and the overall conclusions are disclosed in the statutory statement of corporate governance, which is available on the company’s website and forms part of the management report in the company’s annual report.</p> <p>The chairman reports on the evaluation of the board of directors at the annual general meeting in accordance with the recommendations.</p>
<p><b>3.5.2. The committee recommends</b> that at least once every year the board of directors evaluate the work and performance of the executive board in accordance with pre-defined criteria. Furthermore, the board of directors should evaluate the need for changes to the structure and composition of the executive board,</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The board of directors regularly evaluates and supervises the executive board through reporting received and through discussions with the executive board at board meetings.</p>

<p>in light of the company's strategy.</p>	<p>On behalf of the board of directors, the chairman and the vice chairman carry out special supervision of the executive board and, at board meetings, the board of directors can discuss the structure, composition and work of the executive board under a regular agenda item without the presence of the executive board.</p>
<p><b>3.5.3. The committee 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> <p><b>Comment:</b> This evaluation should be integrated into the overall evaluation by the board of directors.</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>Annual evaluation meetings are held between the chairman of the board of directors and members of the executive board. The results of these evaluations are subsequently presented to the full board of directors.</p>
<p><b>4. Remuneration of management</b></p> <p>Openness and transparency about all important issues regarding company policy on and amounts of the total remuneration offered to members of the governing bodies are essential. Company policy on remuneration should support a long-term value creation for the company.</p> <p>Competitive remuneration is a prerequisite for attracting and retaining competent members of the management of the company. The company should have a remuneration policy, according to which the total remuneration package, i.e. the fixed and variable components and other remuneration components, as well as other significant employment terms, should be reasonable and reflect the governing body members' independent performance, responsibilities and value creation for the company.</p> <p>The variable component of the remuneration (the incentive pay scheme) should be based on actual achievements over a period of time with a view to long-term value creation so as not to promote short-term and risky behaviour.</p> <p>The board of directors should consider the need to include external consultants in relation to the preparation of the remuneration policy and its implementation.</p> <p>Information on management remuneration should</p>	

<p>be compiled in a remuneration report.</p> <p><b>4.1 Content and form of the remuneration policy</b></p> <p><b>4.1.1. The committee recommends</b> that the board of directors prepare a remuneration policy for the board of directors and the executive board, including</p> <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 on which the balance between the individual components of the remuneration is based, 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>At least every four years and upon any material amendments, the remuneration policy should be approved by the general meeting and be published on the company's website.</p> <p><b>Comment:</b> The remuneration policy comprises fixed emoluments as well as incentive-based pay schemes. Once approved by the general meeting, the remuneration policy, including the "General guidelines for incentive-based remuneration" laid down in section 139 of the Companies Act, is only to be approved again by the general meeting if the policy or the general guidelines adopted for incentive-based remuneration are amended, however at least every fourth year.</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The board of directors has adopted a remuneration policy for the board of directors and the executive board. The board of directors finds it important to ensure that the remuneration paid to members of the executive board and the board of directors is competitive and reflects the performance required from them. The remuneration structure applying to the executive board is designed to be transparent and easy to understand.</p> <p>The individual remuneration components are thoroughly described in the company's remuneration policy, which sets out the relationship between fixed salary, incentive pay and other components of remuneration.</p> <p>The remuneration policy is approved by the general meeting and published on the company's website.</p>
<p><b>4.1.2. The committee recommends</b> that, if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> <li>• limits be set on the variable components of the total remuneration package,</li> <li>• a reasonable and balanced composition be ensured between remuneration for members of management and value creation for shareholders in the short and long term,</li> <li>• clarity be established about performance criteria and measurability for the award of variable components,</li> </ul>	<p><b>Hartmann does not comply with this recommendation.</b></p> <p>The remuneration policy allows for annual and multi-annual bonus schemes for the executive board and complies with the other elements of the recommendation.</p> <p>The remuneration paid to the board of directors does not include any variable components.</p> <p>However, when the current executive board was appointed in 2018, a decision was made to discontinue the long-term cash bonus programme related to the former executive board's implementation</p>



<ul style="list-style-type: none"> <li>• it be ensured that variable remuneration not only consists 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>• it be ensured that the company has the ability to reclaim, in full or in part, variable components of remuneration that were paid on the basis of information which is subsequently found to be incorrect.</li> </ul>	and the company's achievement of the objectives of the long-term strategy that expired at the end of the financial year. Accordingly, the only variable remuneration paid to the current executive board is a short-term cash bonus. The board of directors regularly considers whether to exercise the options of the remuneration policy of offering both annual and multi-annual bonus schemes to the executive board.
<p><b>4.1.3. The committee recommends</b> that remuneration of members of the board of directors should not include share options.</p> <p><b>Comment:</b> If members of the board of directors are partly remunerated in the form of shares at market value, this does not contravene with these recommendations.</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The members of the board of directors receive a fixed fee.</p>
<p><b>4.1.4. The committee recommends</b> that if share-based remuneration is used in relation to long-term incentive programmes, the programmes should have a vesting or maturity period of at least three years after the grant date and should be roll-over programmes, i.e. the options should be granted periodically.</p> <p><b>Comment:</b> A vesting or maturity period of at least three years after the grant date is to ensure consistency between the share-based remuneration and the long-term value creation for the company. Apart from the vesting period, there may also be a maturity period before payment.</p>	<p><b>NA.</b></p> <p>Hartmann does not offer share-based remuneration.</p>
<p><b>4.1.5. The committee recommends</b> that the total remuneration paid during the notice period, including severance pay, should not exceed two years of remuneration, including all components of the remuneration.</p>	<p><b>Hartmann complies with this recommendation.</b></p>
<p><b>4.2 Disclosure of the remuneration policy</b></p> <p><b>4.2.1. The committee 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.</p> <p><b>Comment:</b> If the total remuneration includes contributions to pension schemes, such payments as well as the actuarial value of such schemes and</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>Hartmann's remuneration policy and compliance with the policy is explained and justified in the chairman's report at the company's general meeting.</p>

<p>changes during the year are considered to be covered by the disclosure on remuneration. Post-employment benefit plans cover a wide area, including period of notice and qualification, severance pay, “change of control” agreements, insurance and pension schemes, payment of pension contributions after resignation, etc.</p>	
<p><b>4.2.2. The committee recommends</b> that the shareholders in general meeting consider proposals for approval of remuneration for the board of directors for the current financial year.</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The remuneration of the board of directors for the current financial year is presented for approval at the general meeting at which the annual report for the preceding financial year is presented for approval.</p>
<p><b>4.2.3. The committee recommends</b> that the company prepare 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 programmes, and that the correlation between the remuneration and company strategy and relevant related goals be explained.</p> <p>The remuneration report should be published on the company’s website.</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The company’s remuneration report complies with the recommendations and is available at the company’s website.</p>
<p><b>5 Financial reporting, risk management and audits</b></p> <p>Each member of the board of directors and the executive board is responsible for preparing the annual report and other financial reports in accordance with current legislation, applicable standards and any further requirements concerning financial statements stipulated in the articles of association, etc.</p> <p>The annual report and other financial reports should be supplemented by additional financial and non-financial information, if deemed necessary or relevant in relation to the information needs of the recipients.</p> <p>The members of the board of directors and executive board must ensure that the financial reporting is easy to understand and balanced and provides a true and fair view of the company’s financial position, performance and cash flow. The</p>	

<p>management commentary must give a true and fair presentation of the state of affairs, including value creation and the outlook.</p> <p>When considering and approving the annual report, the board of directors must decide whether the business is a going concern, including supporting assumptions or qualifications where necessary.</p> <p>Effective risk management and an effective internal control system contribute to reducing strategic and business risks, to ensuring observance of current rules and regulations and to ensuring the quality of the basis for management decisions and financial reporting. It is essential that risks are identified and managed appropriately.</p> <p>Effective risk management and internal control are a precondition for the board of directors and the executive board to efficiently perform the tasks bestowed upon them. Consequently, it is essential that the board of directors ensure effective risk management and effective internal controls.</p> <p>An independent and competent audit is essential for the board's work.</p>	
<p><u>5.1 Identification of risks and transparency about other relevant information</u></p> <p>5.1.1. <b>The committee recommends</b> 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.</p> <p><b>Comment:</b> Information about the company's risk management in relation to strategic and business-related risks supplements the statutory account in the management commentary on the company's internal control and risk management systems in connection with the financial reporting process.</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>Hartmann's business activities are subject to a number of operational, financial, environmental and social risks identified by and regularly reviewed by the board of directors and the executive board. It is a key objective of the board of directors to ensure constant and adequate monitoring of the group's risk exposure and the existence of the necessary risk management capabilities in the form of policies and procedures.</p> <p>Hartmann's annual report and statutory statement of corporate governance provide a review of the most important risks and risk management principles.</p>
<p><u>5.2 Whistleblowing</u></p> <p>5.2.1. <b>The committee recommends</b> that the board of directors establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.</p> <p><b>Comment:</b> A whistleblower scheme should be anchored with the board of directors, possibly through the audit committee.</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>Hartmann's board of directors has established a whistleblower system to be used by employees, managers, auditors or suppliers observing or suspecting serious wrongdoings within the company.</p> <p>All reports are confidential, and reports may be made anonymously.</p>

	<p>Whistleblower reports are handled by the audit committee.</p>
<p><u>5.3 Contact to auditor</u></p> <p><b>5.3.1. The committee 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 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. This also applies to the internal auditor, if any.</p>	<p><b>Hartmann complies with this recommendation.</b></p> <p>The audit committee assesses the independence and competency of the company's auditors on an ongoing basis. Communication between the audit committee and the auditors takes place at the four annual audit committee meetings prior to the company's presentation of its financial statements and on other occasions.</p> <p>The board of directors meets with the auditors once a year in connection with an audit committee meeting without the executive board present.</p>
<p><b>5.3.2. The committee 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><b>Hartmann complies with this recommendation.</b></p> <p>The audit fee is subject to approval by the board of directors based on a recommendation by the audit committee. The practical management of the auditor's agreement is undertaken by the executive board.</p>