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NASDAQ OMX Copenhagen A/S's recommendations for corporate governance:

Corporate governance at Brødrene Hartmann A/S (2009)

The Board of Directors and the Executive Board continually seek to ensure that Hartmann's management structure and control systems are adequate and work satisfactorily. A number of internal procedures have been developed and are updated regularly to ensure the active, safe and profitable management of the business.

NASDAQ OMX Copenhagen A/S has drawn up recommendations for corporate governance. With reference to the 'comply or explain' principle, Hartmann's Board of Directors has considered these recommendations, and the Board of Directors is of the opinion that Hartmann complies with these principles. Hartmann's corporate governance is also based on the Danish Public Companies Act, the Danish Financial Statements Act, IFRS, the Danish Securities Trading Act, the Rules for issuers of shares on NASDAQ OMX Copenhagen A/S, Hartmann's Articles of Association and best practice for businesses of the same size and with the same international scope as Hartmann.

NASDAQ OMX COPENHAGEN'S RECOMMENDATIONS	HARTMANN'S PRACTICES
<p>I. The role of the shareholders and their interaction with the management of the company</p> <p><i>The shareholders, the owners of the companies and society have a joint interest in the companies always being capable of adjusting to changing demands, which allows the companies to continue to be competitive and continue to create value. Corporate governance implies a.o. that the Board of Directors and the Executive Board understand that interaction between the management and the shareholders is of vital importance to the company. As owners of the company, the shareholders can actively exercise their rights and use their influence resulting in the management protecting the interests of the shareholders as best as possible, and ensuring efficient deployment of the company's funds both in the short as well as the long term.</i></p> <p><i>Therefore, good corporate governance depends on appropriate frameworks which encourage the shareholders to enter into a dialogue with the management of the company and each other. This can be encouraged through a strengthening of the general meeting's role as a forum for communication and decisions.</i></p>	
<p>I. Exercise of ownership and communication</p> <p>The Committee recommends that the companies contribute to improving the communication between the company and the shareholders, and between the individual shareholders in the company via the use of e.g. information technology.</p> <p>Comment: This may motivate the shareholders to exercise their rights and to use their influence.</p>	<p>Hartmann complies with this recommendation.</p> <p>The Board of Directors considers the company's general meeting to be main forum of dialogue between shareholders and between shareholders and Management. Company announcements, financial reports and Hartmann's website constitute the hub of ongoing communication between the company and its shareholders. The content of Hartmann's website includes an archive of all company announcements in both Danish and English language versions as well as financial presentations. The company's notices to convene general meetings are not only sent by ordinary mail; they are also posted on the company's website. Shareholders can order admission cards, appoint proxies and register their attendance on the website.</p> <p>Pursuant to article 8a of the company's Articles of Association, when deemed appropriate and technically justifiable, the Board of Directors may offer shareholders to use electronic means to attend general meetings that are otherwise arranged as meetings with physical attendance (partially electronic general meeting). This enables shareholders to use electronic means to attend, speak and vote at general meetings. If the Board of Directors resolves to</p>

	<p>offer partially electronic general meetings, additional information will be provided on Hartmann’s web-site, and shareholders registered by name will be notified in writing.</p> <p>Furthermore, all shareholders may at any time contact Hartmann’s investor relations manager and the group’s Executive Board. Contact details are available e.g. on the group’s website.</p>
<p>2. Capital and share structures</p> <p>The Committee recommends that the Board of Directors, at appropriate intervals, assess whether the company’s capital and share structures continue to be in the interests of the shareholders and the company and that the Board of Directors account for this assessment in the company’s annual report.</p>	<p>Hartmann complies with this recommendation.</p> <p>Hartmann regularly assesses the company’s capital and share structure and provides an account of these assessments in its annual report.</p> <p>Following the completion of a rights issue in June 2008, the three previous share classes of the company were merged. Accordingly, Hartmann now has only one share class, and one share carries one vote.</p>
<p>3. Preparations for the general meeting, including notice of meeting and proxy</p> <p>The Committee recommends that the general meeting be called at sufficient notice to enable the shareholders to prepare for the meeting and consider the business to be transacted at the general meeting that the notice of meeting, including the agenda, be drawn up in such a way as to give the shareholders a satisfactory picture of the business covered by the items on the agenda and that proxies given to the Board of Directors, as far as possible, include the position of the shareholders regarding each item on the agenda.</p> <p>Comment: Pursuant to the Danish Companies Act, proxies given to a company’s Board of Directors shall be limited to one particular general meeting.</p>	<p>Hartmann complies with this recommendation.</p> <p>General meetings are convened at approximately three weeks’ notice and never less than eight days or more than four weeks before the meeting. The date of the general meeting appears from Hartmann’s financial calendar, which is published as a company announcement in connection with the company’s interim report for the third quarter of the preceding financial year. The financial calendar is available on the company’s website.</p> <p>In the event that the agenda includes special items of business, the notice to convene the meeting is drawn up in such way that the shareholders are provided with adequate information on the business to be transacted and the resolutions to be considered.</p> <p>Proxies given to the Board of Directors only apply to one general meeting specified in advance. Proxies are drawn up so as to allow the shareholders the possibility of taking a position on each individual item on the agenda.</p>

<p>4. The duties of the Board of Directors and the rights of the shareholders in the event of takeover bids</p> <p>In connection with a public takeover bid, the Committee recommends that in such situations, the Board of Directors does not, without the acceptance of the general meeting or on its own, attempt to counter a takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid.</p> <p>Comment: It is important that the shareholders are given the opportunity to decide whether or not they wish to dispose of their shares in the company under the terms offered. The decisions not recommended include implementing capital increases or allowing the company to buy its own shares on the basis of any previously given authority.</p>	<p>Hartmann complies with this 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>II. The role of the stakeholders and their importance to the company</p> <p><i>It is essential for a company's prosperity and future possibilities that the company have a good relationship with its stakeholders. Stakeholders are everyone directly affected by the company's decisions and business. Thus, it is desirable that the company's management run and develop the company with due consideration of its stakeholders, and that the management provide an incentive for dialogue with these stakeholders. Successful interaction between the company and its stakeholders implies openness and mutual respect.</i></p>	
<p>I. The company's policy in relation to the stakeholders</p> <p>The Committee recommends that the Board of Directors adopt a policy on the company's relationship with its stakeholders.</p> <p>Comment: Such a policy could for example include the company's business concept and its basic values and objectives, and one element could be guidelines for the company's publication of information about environmental and social issues.</p>	<p>Hartmann complies with this recommendation.</p> <p>Hartmann was one of the first businesses in Denmark to take a systematic and professional approach to environmental and social sustainability. In 2003, Hartmann endorsed the UN Global Compact, the UN's global forum for responsible business management. Accordingly, Hartmann is committed to integrating 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. Among other measures, Hartmann has laid down ten specific principles for the group's employee, supplier and stakeholder relations. These principles are available on the company's website and in the company's annual report.</p>

<p>2. The role of the stakeholders and their interests</p> <p>The Committee recommends that the supervisory board ensure that the interests and roles of the stakeholders are respected in accordance with the company's policy on such issues.</p> <p>Comment: As part of this purpose, it is natural that the Board of Directors ensures that the executive board and the company's stakeholders are in active dialogue in order to develop and strengthen the company.</p>	<p>Hartmann complies with this recommendation.</p> <p>The Executive Board gives priority to maintaining an active dialogue with Hartmann's stakeholders. Any form of dialogue is based on honesty and transparency. The Board of Directors ensures an active dialogue that safeguards the interests and roles of stakeholders.</p>
<p>III. Openness and transparency</p> <p><i>To a varying extent, it is necessary to provide shareholders, including potential shareholders, and other stakeholders with information about the company. Understanding and relating to the company depend on the amount of information and the quality of information published or provided by the company. Openness and transparency are essential conditions for ensuring that the company's shareholders and other stakeholders are able to regularly evaluate and relate to the company and its prospects and so to contribute to constructive interaction with the company.</i></p>	
<p>I. Information and publication of information</p> <p>The Committee recommends that the Board of Directors adopt an information and communication policy.</p> <p>Furthermore, the Committee recommends that the company draw up procedures to ensure immediate publication of all essential information of importance for how the shareholders and the financial markets evaluate the company and its activities as well as its business goals, strategies and results in a reliable and sufficient manner unless publication can be omitted according to stock exchange legal rules.</p> <p>The Committee recommends that information be published in both Danish and English, and, if necessary, in any other relevant languages; this also applies to the company's website, which must display identical information in these languages.</p>	<p>Hartmann complies with this recommendation.</p> <p>Hartmann has developed an investor relations and press policy as well as in-house guidelines to ensure compliance with the company's disclosure requirements towards NASDAQ OMX Copenhagen A/S.</p> <p>Hartmann emphasises the importance of giving all investors equal access to information on the company's affairs. Interim reports and other company announcements are published on the group's website immediately upon publication through NASDAQ OMX Copenhagen A/S. Due to Hartmann's international relations, the content of the company's website is provided in the English language. Company announcements are available in both Danish and English language versions.</p>
<p>2. Investor relations</p> <p>The Committee recommends that the Board of Directors lays the groundwork for an ongoing dialogue between the company and the company's shareholders and potential shareholders.</p>	<p>Hartmann complies with this recommendation.</p> <p>Hartmann regularly provides information to investors, analysts and the press about relevant matters through meetings and presentations. Furthermore,</p>

<p>Comment: Such dialogue can take place in the following ways:</p> <ul style="list-style-type: none"> ➤ Holding investor meetings. ➤ Evaluating on an ongoing basis whether information technology can be used for improving investor relations, including using part of the company's website to deal with corporate governance-related issues. ➤ Making all investor presentations accessible on the Internet at the same time as they are made. 	<p>Hartmann's Management and investor relations manager are available to respond to enquiries.</p> <p>The company's website contains a separate section on investor relations, including a section on corporate governance at Hartmann. The website also offers a news service section, where the stakeholders of Hartmann can subscribe to company reports and announcements.</p> <p>Hartmann's presentations in connection with its financial reporting can be viewed live in PowerPoint format on the website. Webcasts with Hartmann's CEO are prepared at least once each year.</p>
<p>3. Annual report</p> <p>The Committee recommends that the Board of Directors consider to what extent generally accepted accounting standards other than those required, such as US-GAAP, shall be applied as a supplement to the annual report if trade conditions or other circumstances make this relevant in relation to the information needs of the recipients, including the need for comparability.</p> <p>In connection with the preparation of the annual report, the Committee recommends that the Board of Directors decide whether it is expedient that the company publishes details of a non-financial nature, even in instances where this is not required by any applicable legislation or standards.</p> <p>Comment: The annual report must in all circumstances meet the highest standards applicable to the class to which the company belongs and must reflect changes in generally accepted accounting principles.</p> <p>Examples of details of a non-financial nature could be information about the company's</p> <ul style="list-style-type: none"> ➤ development and maintenance of internal knowledge resources. ➤ diversity, among other things in relation to gender and age, within the Board of Directors, the executive board and the company in general. ➤ ethical and social responsibilities. ➤ health and safety policies. 	<p>Hartmann complies with this recommendation.</p> <p>Generally, Hartmann endeavours to maintain a high level of information in its financial reporting. The company's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for the presentation of financial statements by listed companies.</p> <p>Hartmann's factories prepare green accounts on an individual basis, and the annual report and website provide information about the group's ethical and social conditions.</p>
<p>4. Quarterly reports</p> <p>The Committee recommends that companies publish quarterly reports.</p>	<p>Hartmann complies with this recommendation.</p> <p>Hartmann has prepared quarterly reports since 2002.</p>

<p>IV. The tasks and responsibilities of the Board of Directors</p> <p><i>The Board of Directors is responsible for safeguarding the interests of the shareholders with care and due consideration of the other stakeholders. As concerns the managerial division of tasks between the Board of Directors and the executive board, the Board of Directors is assigned with, and responsible for, undertaking the overall management of the company as well as establishing guidelines for and supervising the executive board's work. One important management task is to develop and establish appropriate strategies for the company. It is essential that the Board of Directors ensure ongoing development of and follow-up on the necessary strategies in collaboration with the executive board.</i></p>	
<p>I. The overall tasks and responsibilities of the Board of Directors</p> <p>The Committee recommends that the Board of Directors discuss and establish its most important tasks related to the overall strategic management as well as the financial and managerial supervision of the company and regularly evaluate the executive board's work.</p> <p>Comment: The Board of Directors' most important tasks normally include:</p> <ul style="list-style-type: none"> ➤ establishing the overall goals and strategies and being responsible for follow-up in this respect. ➤ ensuring clear guidelines for responsibility, distribution of responsibilities, planning and follow-up as well as risk management. ➤ appointing a qualified executive board, establishing conditions of employment for the members of the board, including preparing guidelines for its appointment and composition, as well as ensuring that the remuneration of the members of the board reflects their performance. ➤ ensuring that relations with the company's stakeholders are good and constructive. 	<p>Hartmann complies with this recommendation.</p> <p>The overall responsibilities of the Board of Directors are laid down in section 54 of the Danish Public Companies Act. The Board of Directors works towards steady progress for Hartmann in order to maximise shareholder value and preserve the trust and confidence the stakeholders have in the company. This involves the following key tasks:</p> <ul style="list-style-type: none"> ➤ to ensure that Hartmann has a sustainable vision and meaningful values ➤ to ensure that Hartmann's strategic goals reflect the company's vision ➤ to ensure the development of a strategy that balances considerations for growth, risk and profitability ➤ to appoint and retain a competent Group Management ➤ to ensure expedient collaboration and a sound distribution of duties among the Board of Directors and the Group Management ➤ to ensure and recommend to the shareholders a Board composition that enables the Board of Directors to consider the company's strategic conditions in constructive dialogue with the Group Management ➤ to ensure an open and honest business conduct consistent with the values of Hartmann ➤ to ensure a capital structure and reserves adequate for exploiting relevant growth opportunities and protecting against risks ➤ to ensure efficient management, adequate reporting systems and financial controls as well as cost discipline

	<p>➤ to maintain an independent audit</p> <p>The Board of Directors meet regularly at least five times each year to discuss the key tasks according to a schedule agreed in advance. One meeting focuses on the adoption of the annual budget, and another meeting focuses on corporate governance matters and the presentation of annual risk factor reports. The group's strategy is discussed and adopted at an annual strategy seminar.</p>
<p>2. The tasks of the chairman</p> <p>The Committee recommends that the company prepare a work and task description specifying the tasks, duties and responsibilities of the chairman, and of the vice chairman, if required.</p> <p>The Committee recommends that the chairman ensure that the special knowledge and competence of each individual member of the Board of Directors are used in the best possible manner in its work to the benefit of the company.</p> <p>The Committee recommends that the company appoint a vice chairman, who must be able to act in the chairman's absence and also to act as an effective sounding board for the chairman.</p> <p>Comment: The chairman is particularly responsible for ensuring that the Board of Directors functions satisfactorily and that the tasks of the Board of Directors are handled in the best possible way.</p> <p>A way of achieving this is that the chairman aims to ensure that the supervisory board's negotiations take place when all the members of the board are present, that all essential decisions are made when all the members are present and that the Board of Directors' meeting frequency is planned in such a way as to allow it to act as a sounding board for the members of the executive board and to respond quickly and effectively at any time.</p>	<p>Hartmann complies with this recommendation.</p> <p>The tasks, duties and responsibilities of the chairman are set out in the rules of procedure.</p> <p>The chairman and the vice chairman of the Board of Directors plan the Board's work, including annual schedules for Board meetings and procedures for communication between the Group Management and the Board of Directors. The Board of Directors has appointed a vice chairman whose role is consistent with the recommendations issued by the Committee on Corporate Governance.</p> <p>The chairman and the vice chairman of the Board of Directors plan the Board work in collaboration with the Group Management, taking into consideration the special knowledge and competences of the individual Board members. Negotiations are conducted and important resolutions are passed by the full Board of Directors.</p>
<p>3. Procedures</p> <p>The Committee recommends that the procedures always match the needs of the individual company and that all the members of the Board of Directors review the procedures at least once a year for this purpose.</p> <p>Comment: It is essential that the procedures of the Board of Directors be an effective and functional tool for performing the supervisory board's tasks.</p>	<p>Hartmann complies with this recommendation.</p> <p>The rules of procedure are reviewed annually and are continuously adapted to the needs of Hartmann.</p>

<p>4. Information from the executive board to the Board of Directors</p> <p>The Committee recommends that the Board of Directors establish procedures for how the executive board reports to the Board of Directors and for any other communication between the Board of Directors and the executive board with a view to ensuring that such information about the company's business as required by the Board of Directors is regularly provided to the Board of Directors.</p> <p>Comment: In all circumstances, the executive board must ensure that the Board of Directors is provided with essential information, whether the Board of Directors has requested such information or not.</p>	<p>Hartmann complies with this recommendation.</p> <p>Board meetings are the forum for the main communication between the Group Management and the Board of Directors, and they are held according to a schedule agreed in advance. Prior to the meetings, the members receive the agenda and material relating to the individual agenda items.</p> <p>Furthermore, the Board of Directors receives information from the Group Management in the form of monthly reporting on areas such as the group's market developments, competitive position and budget follow-up. The level of detail of such reporting is lifted at the time around quarter-end when the reporting includes the draft interim reports.</p> <p>In addition, where necessary, the chairman ensures that the Board of Directors is kept informed of important matters in the periods between Board meetings.</p>
<p>V. The composition of the supervisory board</p> <p><i>It is essential that the Board of Directors be composed in such a way as to allow it to perform its managerial tasks, including strategic and control tasks, in an effective and forward-looking manner and, at the same time, to act as a constructive and qualified sounding board for the members of the executive board. It is also essential that the members of the Board of Directors always act independently of special interests. The Board of Directors must regularly assess whether its composition and the competences of the members, individually and collectively, reflect the demands made by the company's current situation and circumstances.</i></p> <p><i>To ensure the quality of board work and thus increase the supervisory board's contribution to the value creation, it is important that the composition of the supervisory board is regularly reviewed, including as regards diversity in relation to gender and age, etc.</i></p>	
<p>I. Recruitment and election of supervisory board members</p> <p>The Committee recommends that the supervisory board regularly assesses the competence it must have to best perform its tasks and, in light hereof, assesses the composition of the supervisory board. As a way to achieve this, the Committee recommends that:</p>	<p>Hartmann complies with this recommendation.</p> <p>New candidate members for the Board of Directors may be nominated by the shareholders or by the Board of Directors. Generally, the Board of Directors uses external consultancy services for the selection of candidates.</p>

<ul style="list-style-type: none"> ➤ when assessing its composition, the Board of Directors takes diversity into consideration in relation to gender, age, etc. ➤ the Board of Directors ensures a formal, thorough and transparent process for selection and nomination of candidates. ➤ the supervisory board includes a description of the nominated candidates' background, including information about other managerial positions and directorships held by the candidates in both Danish and foreign companies as well as demanding organisational tasks performed by the individual persons, in the notice convening the general meeting when the election of the members to the supervisory board is on the agenda. ➤ the description provides information about the recruitment criteria established by the Board, including the requirements for professional qualifications, international experience, educational background etc., which represent essential qualities with regard to the supervisory board, and that the shareholders of the company are given an opportunity to discuss these criteria at the general meeting. ➤ the description provides information about the Board of Directors' assessment of its composition, including its diversity, and that the shareholders of the company are given an opportunity to discuss the composition of the supervisory board at the general meeting. ➤ every year, in the management's review, the Board accounts for its composition, including its diversity, and for any special competence possessed by the individual members. 	<p>The Board of Directors assesses each candidate against a series 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. The notice to convene the general meeting includes information on the candidate's background and the recruitment criteria.</p> <p>Hartmann's annual report contains profiles of the members of the Board of Directors. It appears from the CVs of the Board members that they fulfil the shareholders' requirements for a broad range of competences and representation of all relevant professional areas.</p> <p>In its assessment of its composition, the Board of Directors takes a positive view on the recommendation concerning diversity, e.g. in relation to gender and age. The Board of Directors aims to have at least one woman among its candidates when a new candidate member for the Board of Directors is selected and nominated.</p> <p>However, in connection with the final selection and nomination, the Board of Directors does not allow considerations as to gender or age take priority over the candidate's professional qualifications, international experience and educational background.</p>
<p>2. Training and introduction for members of the Board of Directors</p> <p>The Committee recommends that new members joining the Board of Directors be given an introduction to the company and that the chairman, in collaboration with each individual Board of Directors member, decide whether it is necessary to offer the member in question relevant supplementary training.</p> <p>The Committee recommends that every year, the Board of Directors assess whether the competence and expertise of the members need to be updated in some respect.</p>	<p>Hartmann complies with this recommendation.</p> <p>Newly-elected Board members meet with the Group Management and visit one or more of Hartmann's factories to gain insight into the technical production processes.</p> <p>Board members' needs for supplementing their competences are assessed as part of the Board's self-assessment.</p>

<p>Comment: Such training and updating of the members' competence and expertise must be adjusted to the needs of the individual Board of Directors member and must ensure that each of the members of the Board of Directors is capable of:</p> <ul style="list-style-type: none"> ➤ taking part in a qualified dialogue with the executive board about the company's strategic development and prospects. ➤ acquiring and keeping an overview of the company's core areas, activities and the conditions of the industry in question. ➤ actively participating in the Board of Directors' work. <p>In addition, the members of the Board of Directors are solely responsible for actively obtaining knowledge and regularly keeping themselves posted on the conditions of the company and the industry in question.</p>	
<p>3. The number of Board of Directors members</p> <p>The Commission recommends that the Board of Directors have only so many members as to allow a constructive debate and an effective decision-making process that enables all the members of the Board of Directors to play an active role and so that the size of the Board of Directors allows the competence and experience of the Board members to match the requirements of the company.</p> <p>The Commission recommends that at regular intervals, the Board of Directors considers whether the number of Board of Directors members is appropriate in relation to the requirements of the company.</p>	<p>Hartmann complies with this recommendation.</p> <p>The number of Board members is determined taking into account the provisions of the company's Articles of Association and is subject to approval by the shareholders. According to Hartmann's Articles of Association, the Board of Directors must consist of not less than three and not more than eight members to be elected by the shareholders.</p> <p>In 2007, the number of Board members elected by the shareholders was reduced from six to four. Part of the Board's self-assessment involves considering whether there is an adequate number of Board members and looking at the composition of competences represented on the Board. The Board believes that there is currently no need to add more Board members, since the present combination of competences is deemed to be sufficient to continue to safeguard shareholder interests.</p>
<p>4. The independence of the Board of Directors</p> <p>In order for the Board of Directors members to act independently of special interests, the Committee recommends that at least half of the Board of Directors members elected by the general meeting be independent persons. In this context, an independent Board member elected by the general meeting may not:</p> <ul style="list-style-type: none"> ➤ be an employee of the company or have been employed by the company within the 	<p>Hartmann complies with this recommendation.</p> <p>Three out of four of the Board members elected by the shareholders are independent according to this definition. One of the Board members is not considered to be independent due to the member's role as a professional adviser to the company.</p> <p>No member of the company's Group Management sits on the company's Board of Directors. The annual report and notices to convene general meetings at which members are to be elected to the Board of</p>

<p>past five years.</p> <ul style="list-style-type: none"> ➤ be or have been a member of the executive board of the company. ➤ be a professional consultant to the company or be employed by, or have a financial interest in, a company which is a professional consultant to the company. ➤ have some other essential strategic interest in the company other than that of a shareholder. <p>Furthermore, any person related, in terms of business or in any other way, to the company's major shareholder, is not regarded as an independent person.</p> <p>Family ties with persons not regarded as independent persons also imply a situation of non-independence.</p> <p>The Committee recommends that least once a year, the Board of Directors list the names of the members of the Board of Directors who are not regarded as independent persons and also disclose whether new candidates for the Board of Directors are considered independent persons and state the grounds for such consideration.</p> <p>The Committee recommends that the members of the executive board of a company not be members of the Board of Directors of the same company.</p> <p>The Committee recommends that the annual report contain the following information about supervisory board members:</p> <ul style="list-style-type: none"> ➤ occupation of the individual Board member. ➤ other managerial positions or directorships held by the Board member in Danish and foreign companies as well as demanding organisational tasks performed by that individual. ➤ number of shares, options and warrants held by the Board member in the company and group enterprises as well as changes in the member's portfolio of the mentioned securities having taken place during the financial year. 	<p>Directors contain information about the Board members who are not independent according to the definition.</p> <p>The annual report contains information on the Board members' positions, other managerial positions and directorships in Danish as well as international companies, their demanding organisational tasks and the number of Hartmann shares held by them, including any changes in their shareholdings during the financial year.</p>
<p>5. Board members elected by the staff</p> <p>The Committee recommends that the individual company consider the need to explain the system of staffelected Board members in the company's annual</p>	<p>Hartmann complies with this recommendation.</p> <p>The system of election of Board members by employees is explained on Hartmann's website.</p>

<p>report or on its website.</p> <p>Comment: Board members elected by the staff have the same rights, duties and responsibilities as Board members elected by the general meeting.</p>	<p>Board members elected by the employees have the same rights, duties and responsibilities as Board members elected by the shareholders.</p>
<p>6. Meeting frequency</p> <p>The Committee recommends that the Board of Directors meet at regular intervals according to a predetermined meeting and work schedule or when meetings are deemed necessary or appropriate as required by the company and that the annual meeting frequency be published in the annual report.</p>	<p>Hartmann complies with this recommendation.</p> <p>The Board of Directors holds at least five regular Board meetings annually, and additional meetings are held as and when required. The frequency of meetings is determined for one year at a time, and the dates of meetings concerning the company's annual and interim financial reporting and the annual general meeting are published in the annual report.</p>
<p>7. Time allocated to Board of Directors work and the number of directorships</p> <p>The Committee recommends that a Board member who is also a member of the executive board of an active company holds not more than three ordinary directorships or one chairmanship and one ordinary directorship in companies not forming part of the group unless in exceptional circumstances.</p> <p>Comment: It is essential that the individual member of the Board in advance understand the demands in terms of time placed on him by the Board work and that he allocate sufficient time for such tasks while sitting on the Board of Directors.</p>	<p>Hartmann complies with this recommendation.</p> <p>None of the company's Board members holds more directorships than recommended.</p> <p>The company's annual report contains information on the Board members' additional managerial positions and directorships and demanding organisational tasks.</p>
<p>8. Retirement age</p> <p>The Committee recommends that the company agree on a retirement age for members of the Board of Directors and that the annual report contain information about the age of the individual members of the Board.</p>	<p>Hartmann complies with this recommendation.</p> <p>The annual report contains information about the age of the individual Board members. Board members retire from the Board of Directors not later than at the first general meeting following their 70th birthday, unless otherwise agreed.</p>
<p>9. Election period</p> <p>The Committee recommends that members of the Board of Directors be up for re-election every year at the general meeting and that the Board in this connection makes special efforts to ensure the balance between replacement and continuity on the Board as regards the chairmanship and the vice chairmanship.</p> <p>The Committee recommends that the annual report state when the individual member of the supervisory board joined the board, whether the member of the supervisory board was re-elected and when the new</p>	<p>Hartmann complies with this recommendation.</p> <p>Board members elected by the shareholders at the annual general meeting are elected for terms of one year.</p> <p>Information about the year in which the members joined the Board, re-election of Board members and the expiry of the members' current terms is found in the annual report.</p>

<p>election period expires.</p> <p>Comment: If a Board member's conditions of employment change during an election period, he must inform the other members of the Board of Directors accordingly and be prepared to put his seat up for election at the next general meeting.</p>	
<p>10. Use of Board of Directors committees</p> <p>The Committee recommends that the Board of Directors consider and decide whether to establish committees, including nomination, remuneration and audit committees.</p> <p>If the Board of Directors appoints a committee, the Committee recommends that such appointment take place only in connection with matters relating to specific issues for the purpose of preparing decisions to be made by all the members of the Board.</p> <p>In the event of appointment of a Board committee, the Committee recommends the Board of Directors draw up terms of reference for that committee setting out its responsibilities and powers.</p> <p>The Committee recommends that the company's annual report describe important issues included in the terms of reference of the individual Board committee and that the annual report list the names of the members of the individual Board committee as well as the number of meetings of that committee held during the financial year.</p> <p>Comment: The specific conditions of each individual company, including the size and modus operandi of the Board of Directors as well as the size and complexity of the company, determine whether to establish a Board committee. It is essential that the Board of Directors ensure that the appointment of a Board committee does not cause important information intended for all members of the Board to be communicated to the Board committee only.</p> <p>Appendix A contains a number of directions to be used in the event of appointment of a Board committee.</p> <p>See also VIII, 7 regarding Board committees.</p>	<p>Hartmann complies with this recommendation.</p> <p>The full Board of Directors constitutes the company's audit committee (see VIII.7). Due to the working methods of the Board and the size and complexity of the company, Hartmann has not set up any other actual Board committees. Board duties relating to the nomination of candidates to the Board of Directors, remuneration of the Executive Board and the auditor are prepared by the chairman and vice chairman, who submit their proposals to the full Board of Directors.</p> <p>The Board of Directors may establish Board committees to undertake <i>ad hoc</i> tasks defined by the Board of Directors at the time of establishment of the committee. The tasks of <i>ad hoc</i> committees are preparatory and form the basis of consideration and resolutions by the Board of Directors. If the scope of the committee's tasks is extensive, the Board of Directors may resolve to pay separate remuneration to the members of the committee. The amount of such remuneration will be disclosed in the annual report and presented at the general meeting.</p>
<p>11. Assessment of the Board of Directors' work</p> <p>The Committee recommends that the Board of Directors establish an assessment procedure that</p>	<p>Hartmann complies with this recommendation.</p> <p>The Board of Directors has performed self-assessments of its work since 2008 on the basis of</p>

<p>regularly and systematically evaluates the work, results and composition of the Board of Directors as well as the work and results of the individual members, including the chairman, for the purpose of improving the Board's work and that the criteria of assessment are clearly defined.</p> <p>The Committee recommends that such assessment be made once a year, that the chairman of the Board be in charge of this process, drawing on external support, if necessary, that the outcome be discussed by the entire Board of Directors and that the Board provide details of its procedures of self-assessment in the company's annual report.</p> <p>The Committee recommends that the Board assesses the executive board's work and results once year according to previously established explicit criteria.</p> <p>The Committee recommends that the executive board and the Board of Directors establish a procedure to assess the collaboration between the two boards at an annual meeting between the CEO and the chairman of the Board and that the outcome of such assessment be presented to the entire Board.</p> <p>Comment: Assessing the Board of Directors as a whole implies a clear need to evaluate the extent to which previously established strategic goals and plans have been met.</p>	<p>questionnaires and one-to-one meetings.</p>
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<p>VI. Remuneration of the members of the Board of Directors and the executive board</p> <p><i>Competitive remuneration is a prerequisite for attracting and retaining competent members of the Board of Directors and the executive board. The remuneration of the members of the supervisory and executive boards should be reasonable in relation to the tasks assigned and the responsibilities involved in performing these tasks.</i></p> <p><i>Performance-related pay may result in convergence of interests between the shareholders and the management of the company and may cause the management to focus on increasing the company's value creation. It is essential that there be openness about all important issues regarding the principles and amounts of the total remuneration offered to the members of the Board and the executive board.</i></p>	
<p>1. Remuneration</p> <p>The Committee recommends that the total remuneration (fixed pay, incentive pay covering all forms of variable pay, pension, severance pay and other benefits) be at a competitive and fair level, reflecting the independent performance and value creation in the company of the members of the executive board and the Board of Directors.</p>	<p>Hartmann complies with this recommendation.</p> <p>It is ensured that the remuneration of the members of the Group Management and the Board of Directors is in line with general market practices and reflects the performance demanded from them.</p> <p>The remuneration structure and levels are based on statistics and other analyses involving comparable businesses.</p>
<p>2. Remuneration policy</p> <p>The Committee recommends that the Board of Directors adopt a remuneration policy and that the company disclose the contents of such policy in its annual report and on the company's website.</p> <p>The Committee recommends that the remuneration policy reflect the interests of the company and the shareholders, match the specific conditions of the company and be reasonable in relation to the tasks and responsibilities undertaken and that it promotes long-term behaviour and is transparent and easy to understand.</p> <p>The Committee recommends that the remuneration policy include a statement explaining the fixed pay and the overall principles of the incentive pay programme (covering all forms of variable pay), including the terms of the vesting/granting of bo-</p>	<p>Hartmann complies with this recommendation.</p> <p>The Board of Directors has adopted a remuneration policy which sets out the relationship between base salary, incentive pay and other elements of remuneration. Information about the specific remuneration of the members of the Board of Directors and the Executive Board is disclosed in the annual report.</p> <p>The Board of Directors finds it important to ensure that the remuneration paid to members of Management and the Board of Directors is competitive and reflects the performance demanded from them. The remuneration structure in respect of Management encourages long-term behaviour, is transparent and easy to understand.</p> <p>The annual report provides an account of how the</p>

<p>nus/performance-related bonus and/or price-related incentive schemes, etc., as well as pension schemes and severance programmes and other benefits. Information about the relationship between the fixed pay, the incentive pay and the other elements of the pay is a part of the remuneration policy.</p> <p>The Committee recommends that any defined benefit schemes be disclosed.</p> <p>The Committee recommends that the company's remuneration, including incentive pay, policy reporting include a statement explaining how such policy was implemented in the past financial year, how such policy is implemented in the current financial year and how the company plans to implement it in the next financial year.</p> <p>The Committee recommends that the remuneration policy contain clear and comprehensible information that is easy to understand by the individual shareholder and which enables the shareholder to see that the Board of Directors complies with the remuneration policy and the guidelines adopted for incentive pay. Thus, there must be a connection between the information communicated to and approved by the general meeting prior to the granting and the annual report stating the facts after the granting.</p> <p>The Committee recommends that the company's remuneration policy be mentioned in the statement given by the chairman at the company's general meeting and that the remuneration of the Board of Directors for the current financial year be presented for adoption at the general meeting when the annual report for the previous year is submitted for adoption.</p>	<p>remuneration policy was implemented in the preceding financial year, and how it is implemented in the current financial year.</p> <p>The remuneration of the Board of Directors for the current financial year is presented for adoption at the general meeting at which the annual report for the preceding financial year is presented for adoption.</p>
<p>3. General guidelines for incentive pay</p> <p>The Committee recommends that the general guidelines for incentive pay reflect the interests of the shareholders and the company, match the specific conditions of the company and be reasonable in relation to the tasks and responsibilities undertaken. There must be a connection between the information communicated to and approved by the general meeting prior to the granting and the annual report showing the specific results of the approved guidelines for incentive pay.</p> <p>The Committee recommends that the remuneration of the members of the Board of Directors not con-</p>	<p>Hartmann complies with this recommendation.</p> <p>In the opinion of the Board of Directors, financial incentive programmes may enhance the motivation of the employees to perform a behaviour that supports the fulfilment of Hartmann's objectives and aligns the interests of Hartmann's shareholders and the Executive Board.</p> <p>Hartmann has prepared general guidelines for incentive pay pursuant to section 69b of the Danish Public Companies Act. The guidelines have been considered and adopted by Hartmann's shareholders.</p>

<p>sist of share option schemes, but e.g. bonus schemes and shares at market price.</p> <p>If the remuneration of the members of the executive board consists of share or subscription options, the Committee recommends that the schemes be set up as roll-over schemes (i.e. the options are granted periodically e.g. every year and expire over a number of years) and that the redemption price be higher than the market price at the time of granting.</p> <p>The Committee recommends that incentive pay programmes be designed in such a way that they promote long-term behaviour and are transparent and easy to understand, even for outsiders, and that valuation at the time of granting be made according to generally accepted methods.</p> <p>Comment: Section 69b of the Danish Companies Act provides that the Board of Directors of the company must have specified general guidelines for incentive programmes for the company's Board or executive board before the company can enter into a specific agreement on incentive pay with a member of the Board of Directors or the executive board. The guidelines must be considered and approved by the company in general meeting.</p>	<p>The company's share option programme was cancelled in April 2009, effective as of 2009. No share options may be granted in future.</p> <p>The reason for the cancellation of the share option programme was the prevailing unrest in the global financial markets and the related volatility as well as the difficulties of determining a correct and true and fair market price of the company's shares.</p> <p>The Board of Directors consequently believes that it will hardly be in full compliance with the corporate governance principles for incentive pay to Management or the objective thereof if share options are granted to the company's Management in the current circumstances and under the prevailing uncertainty regarding correct and true and fair pricing of securities by the equity market.</p> <p>Share options granted to the members of the Executive Board in 2007 and 2008 were not cancelled.</p> <p>The remuneration of the members of the Board of Directors does not include share option programmes or other bonus plans.</p>
<p>4. Severance programmes</p> <p>The Committee recommends that information about the most important aspects of severance programmes be disclosed in the company's annual report.</p> <p>Comment: Severance programmes cover a wide area, including number of years' notice and qualification, change of control agreements, 'golden handshakes', insurance and pension schemes, payment of pension contributions after retirement, etc. Pursuant to section 107a of the Danish Financial Statements Act a company's annual report shall include information on special retirement agreements resulting from a successfully completed takeover bid. If, in exceptional cases, severance programmes include an element of incentive pay, such programmes shall be covered by section 3.</p>	<p>Hartmann complies with this recommendation.</p> <p>The members of the Group Management are employed on contracts on standard terms stipulating a reasonable notice of termination. Severance agreements will be agreed when relevant. Important information about current severance agreements is disclosed in the annual report.</p>
<p>5. Openness about remuneration</p> <p>The Committee recommends that the annual report include information about the amounts of total remuneration of the individual members of the Board of Directors and the executive board provided by</p>	<p>Hartmann complies with this recommendation.</p> <p>The amounts of the total specified remuneration paid by the company to the members of the Board of Directors and the Executive Board are disclosed</p>

<p>the company or other companies within the same group.</p> <p>Comment: The annual report should contain all, clear and comprehensible information about the remuneration of the individual members of the management body that is easy to understand by the individual shareholder and which enables the shareholder to follow up on the compliance with the remuneration policy and the general guidelines adopted for incentive pay.</p>	<p>in Hartmann’s annual report. The pension schemes offered to members of the Executive Board do not contain any defined-benefit pension obligations.</p>
<p>VII. Risk management</p> <p><i>Effective risk management is a prerequisite allowing the Board of Directors to perform its tasks in the best possible way. Therefore, it is essential that the Board arrange for appropriate risk management systems to be established and generally ensure that such systems meet the requirements of the company at any time.</i></p> <p>The purpose of risk management is to:</p> <ul style="list-style-type: none"> ➤ develop and maintain an understanding of the organisation of the company’s strategic and operational goals, including an identification of the critical success factors for achieving such goals. ➤ analyse the possibilities and challenges related to the implementation of the above goals as well as the risk of these goals not being met. ➤ analyse the most important activities launched by the company to identify the risks in this connection. ➤ determine the venture spirit of the company. 	
<p>1. Identification of risks</p> <p>The Committee recommends that the Board of Directors and the executive board, when formulating the company’s strategy and overall goals, identify the greatest business risks involved in achieving such strategy and goals.</p>	<p>Hartmann complies with this recommendation.</p> <p>Hartmann’s business activities are subject to a series of operational, financial, environmental and social risks identified by and regularly reviewed by the Board of Directors and the Group Management. 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>2. Plan for risk management</p> <p>The Committee recommends that the executive</p>	<p>Hartmann complies with this recommendation.</p>

<p>board prepare a plan for the company’s risk management on the basis of the risks identified and submit this plan to the Board of Directors for approval, and that the executive board regularly report to the Board to allow the latter to systematically follow the trends in significant risk areas.</p> <p>Comment: Such reporting may include procedures and action plans to eliminate, reduce, divide or accept these risks.</p>	<p>Hartmann’s Group Management identifies, assesses and evaluates on an ongoing basis all significant risks that may affect Hartmann’s operational and financial objectives. The necessary measures to counter such risks are discussed and assessed by the Group Management and the Board of Directors. This applies to strategic as well as financial, operational and other risk factors of a material nature.</p>
<p>3. Openness regarding risk management</p> <p>The Committee recommends that the company’s annual report include information about the company’s risk management activities.</p>	<p>Hartmann complies with this recommendation.</p> <p>Hartmann’s annual report provides an in-depth review of the significant risks and risk management principles of Hartmann’s business.</p>
<p>VIII. Audit</p> <p><i>Ensuring a competent and independent audit is an essential part of the Board of Directors’ work. The Committee recommends that the contractual basis and thus the framework of the auditor’s work be determined between the Board of Directors and the Executive Board.</i></p>	
<p>1. The Board of Directors’ nomination of an auditor candidate</p> <p>The Committee recommends that having consulted the executive board, the Board of Directors make a specific and critical assessment of the auditor’s independence and competence, etc., to be used in connection with the nomination of a candidate at the general meeting.</p>	<p>Hartmann complies with this recommendation.</p> <p>The Board of Directors assesses the independence and competence of the company’s auditor on an ongoing basis. Communication between the Board of Directors and the auditor takes place at the four annual Board meetings at which the Board presents the financial statements, and in other contexts.</p>
<p>2. Agreement with the auditor</p> <p>The Committee recommends that the auditor agreement and the auditor’s fee be agreed between the company’s Board of Directors and the auditor.</p>	<p>Hartmann complies with this recommendation.</p> <p>The fees to the auditor are subject to approval by the Board of Directors based on a recommendation by the chairman and the vice chairman. The practical management of the auditor agreement is undertaken by the Group Management.</p>
<p>3. Non-audit services</p> <p>The Committee recommends that every year, the Board of Directors lay down the overall, general scope of the auditor’s provision of non-audit services with a view to ensuring the auditor’s independence, etc.</p>	<p>Hartmann complies with this recommendation.</p> <p>The scope of the auditor’s provision of non-audit services is subject to approval by the Board of Directors. As a basis for such approval, the Board of Directors and the Group Management have prepared a separate list of tasks not to be undertaken by the auditor on behalf of the company to ensure the auditor’s independence.</p>

<p>4. Internal control systems</p> <p>The Committee recommends that at least once a year, the Board of Directors review and assess the internal control systems within the company as well as the management's guidelines for and supervision of such systems and that the Board of Directors consider the extent to which this function is able to assist the Board in this work.</p>	<p>Hartmann complies with this recommendation.</p> <p>The group's companies are subject to controlling measures as and when required and are offered advisory services with respect to the design and implementation of satisfactory and adequate internal control procedures.</p> <p>In addition, the company's auditor reviews the company's internal control systems. Any significant shortcomings are reported in the long-form audit report to the Board of Directors. The audit report is reviewed and assessed in connection with the Board meeting at which the financial statements for the preceding year are presented for adoption, and with the external auditor present.</p>
<p>5. Accounting policies and accounting estimates</p> <p>When the Board of Directors reviews the annual report (or a draft of it) together with the auditor, the Committee recommends that particular efforts be made to discuss the accounting policies applied in the most important areas as well as important accounting estimates and that the expediency of the accounting policies applied be assessed.</p>	<p>Hartmann complies with this recommendation.</p> <p>The company's accounting policies are discussed by the Board of Directors and the auditor on an ongoing basis.</p>
<p>6. Result of the audit</p> <p>The Committee recommends that the result of the audit be discussed at meetings with the Board of Directors for the purpose of reviewing the auditor's observations and opinion, possibly on the basis of the long-form audit report.</p>	<p>Hartmann complies with this recommendation.</p> <p>The auditor participates in four annual Board meetings in connection with the company's annual and interim financial reporting, at which meetings the long-form audit report is reviewed by the full Board of Directors together with the auditor. The Board of Directors may communicate with the auditor without the participation of the Executive Board as appropriate.</p>
<p>7. Audit committee</p> <p>In companies with complex accounting and audit conditions, the Committee recommends that the Board of Directors considers establishing an audit committee to assist the Board in accounting and audit matters.</p> <p>Comment: For information on general use of Board committees, see section V, 10.</p>	<p>Hartmann complies with this recommendation.</p> <p>The company has set up an audit committee in compliance with section 31 of the Danish Auditors Act. The audit committee is made up by the full Board of Directors. The duties of the audit committee concern risk management, preparation of financial statements and financial reporting.</p>