

## **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 2017 covering the period 1 January to 31 December 2017.

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. Generally, resolutions passed at general meetings are 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 7 members, 4 of whom are elected by the shareholders, and 3 by the employees. Board members elected by the shareholders are elected for terms of one year. They are eligible for re-election and must resign from the board of directors not later than at the first annual general meeting held after their 70th birthday. 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 shared 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 the shareholders of the candidates' competencies and other directorships and managerial positions as well as of the criteria applied by the board of directors in the nomination.

Board work 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 2017, the board of directors held eight meetings with all members attending all meetings. The chairman of the board of directors performed the self-evaluation of the board in 2017 based on individual answers to a questionnaire. The evaluation con-

firmed the need to strengthen the board of directors by adding relevant international industry qualifications.

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 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 operation 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 with the same complexity as that of Hartmann to ensure that Hartmann is able to attract and retain competent executives.

The members of the company's 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. Hartmann's remuneration policy is available at [investor.hartmann-packaging.com](http://investor.hartmann-packaging.com), and the remuneration paid for 2017 is specified in note 9 to the financial statements in Hartmann's annual report for 2017.

### **Management changes**

On 5 October 2017, Hartmann's board of directors resolved to recommend that Jan Klarskov Henriksen, CEO of Aviagen Broiler Breeding Group Inc., be elected to the board at the annual general meeting to be held on 18 April 2018. Jan Klarskov Andersen has extensive international management experience from the food industry and special expertise in sales and marketing of poultry and eggs.

Vice chairman Niels Hermansen will not seek re-election at the annual general meeting to be held on 18 April 2018.

CEO Ulrik Kolding Hartvig passed away on 18 February 2018, and CFO Marianne Rørslev Bock was subsequently appointed interim CEO.

## **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 the complexity of its accounting and auditing, 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**

The audit committee assesses at regular intervals 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 position.

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 regulation and the presentation of the financial reporting to Hartmann's stakeholders.

The financial reporting process is subject to systematic assessment on an ongoing basis 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 the most significant risks to which Hartmann is exposed. 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 reduced to the extent possible 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 give a statement on how the company addresses the Committee on Corporate Governance's recommendations, adopting the "comply-or-explain" principle.

Accordingly, the board of directors of Hartmann has considered the recommendations and believes that Hartmann complies with the majority of these. 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 international scope as Hartmann.

| <b>CORPORATE GOVERNANCE RECOMMENDATIONS</b>   | <b>HARTMANN'S PRACTICES</b>   |
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| <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 continue to be competitive and create value. Therefore, it is essential to establish a positive interaction not merely between management and investors, but also in relation to other stakeholders. Good corporate governance is also about establishing appropriate frameworks that enable investors to enter into a dialogue with management of the company. 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>As owners of the company, the shareholders should actively exercise their rights and influence at general meetings in order to help the company's management protect the interests of its shareholders as best as possible and thereby 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><b>I.1.1. The committee recommends</b> that the</p>   | <p><b>Hartmann complies with this recommendation.</b></p> <p>The board of directors considers the company's</p> |

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| <p>board of directors ensure ongoing dialogue between the company and its shareholders in order for the shareholders to gain relevant insight into the company's potential and policies, 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. The strategy should also relate to selection and attraction of investor target groups.</p> <p>Communication aims at ensuring that all shareholders regularly receive the same information.</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>general meetings to be the main forum of dialogue between shareholders and between shareholders and the company's management. 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. For a period of four weeks up to the publication of the annual report, interim reports or other financial announcements, Hartmann does not comment on matters relating to the financial results or outlook.</p> |
| <p>1.1.2. <b>The committee recommends</b> that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders and other investors, and that the board ensures that the interests of the shareholders are respected in accordance with company policies.</p> <p><b>Comment:</b> A company's communication policy and investor relations policy are examples of policies that the board of directors may adopt. In addition, the board of directors should consider adopting a tax policy where the circumstances of the company so demand. Such policy most appropriately lies with the audit committee, cf. recommendation 3.4.3-3.4.5.</p>   | <p><b>Hartmann complies with this recommendation.</b></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 respects the interests of stakeholders.</p> <p>Hartmann's board of directors has adopted an investor relations policy and a tax policy, which lies with the audit committee. The board regularly reviews other policies for the company's relations with its key stakeholders.</p>  |
| <p>1.1.3. <b>The committee recommends</b> that the company publish quarterly reports.</p>  | <p><b>Hartmann complies with this recommendation.</b></p> <p>Hartmann publishes quarterly reports.</p>  |
| <p><u>1.2 General meeting</u></p> <p>1.2.1. <b>The committee recommends</b> that, when organising the company's general meeting, the board</p>   | <p><b>Hartmann complies with this recommendation.</b></p> <p>Hartmann seeks to encourage its shareholders to</p>  |

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| <p>of directors plans the meeting to support active ownership.</p> <p><b>Comment:</b> When organising the general meeting, it is important to ensure that the shareholders have an opportunity to participate, and that they are able to voice their opinions at the general meeting. Considerations should address holding the general meeting wholly or partly electronically to ensure that the shareholders are able to participate without having to be physically present. The shareholders will then be in a position to influence and guide the management of the company on the development of the company in the short and long term.</p> | <p>attend the company's general meetings.</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 forwarded 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. Shareholders can also 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 granted 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 board of directors has reason to believe that a takeover bid will be made. According to such contingency</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 the recommendation.</p>   |



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| <p>procedures, 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 have been prepared 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 the advisors to be consulted,</li> <li>• is ready for the challenges which the company's value-creation plan might present, 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 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 employ a competent executive board, lays down the division of responsibilities between the board of directors 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 direc-</p>  |   |



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| <p>tors 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 should cooperate with the board of directors on ensuring that members regularly receive updates, and expand their knowledge about matters relevant to the company, as well as ensure that the special knowledge and skills of each individual member are used in the best possible manner 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> <p>The board of directors draws up an annual plan and reviews its rules of procedure annually.</p> |
| <p>2.1.2. <b>The committee recommends</b> that at least once a year the board of directors take a position on the overall strategy of the company with a view</p>  | <p><b>Hartmann complies with this recommendation.</b></p> <p>The overall tasks of the board of directors are laid</p>  |

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| <p>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, including a “best owner” principle scenario with synergy effect from either selling or purchasing. 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>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><b>2.1.3. 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 presents this in the management commentary on the company’s annual report 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>The company has one share class.</p>   |
| <p><b>2.1.4. 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 on timely, accurate and adequate 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. 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</p>  | <p><b>Hartmann complies with this recommendation.</b></p> <p>The board of directors reviews the guidelines for the executive board annually.</p>  |

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| <p>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>Comment:</b> Particularly in relation to risks, the executive board and the other management layers must be composed so that short absence of a member of the executive board does not significantly affect the day-to-day operations of the company.</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>2.1.6. <b>The committee recommends</b> that once a year the board of directors discuss the company's activities to ensure relevant diversity at management levels, including setting specific goals and accounting for its objectives and progress made in achieving the objectives in the management commentary on the company's annual report and/or on the website of the company.</p> <p><b>Comment:</b> Diversity includes e.g. age, international experience and gender. It would be appropriate to prepare action plans describing the company's efforts in respect of diversity at management levels addressing the needs and future development of the company. Such action plans may supplement statutory requirements on target figures and policies for the gender-related composition of management and reporting in this respect.</p> | <p><b>Hartmann complies with this recommendation.</b></p> <p>The board of directors annually discusses the company's activities to ensure diversity at management levels and has set specific goals in that respect.</p> <p>Hartmann's objectives and policies for the gender-related composition at management levels are available on the company's website.</p> <p>Hartmann's Global Compact report on progress provides an account of the achievement of this objective.</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</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</p>   |

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| <p>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>Recommendations.</p> <p>The tasks, duties and responsibilities of the chairman and vice chairman are set out in the rules of procedure.</p>  |
| <p><b>2.3.2. The committee recommends</b> ensuring that, if the board of directors, in exceptional cases, asks the chairman of the board of directors to perform special operating activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect be passed to ensure that the board of directors maintains its independent, overall management and control function. Resolutions on the chairman's participation in day-to-day management and the expected duration hereof should be published in a company announcement.</p> <p><b>Comment:</b> A reasonable 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 regulating the chairman's discharge of special tasks should contain provisions on the special precautions taken to protect the distribution of roles and responsibilities between the members of the board of directors and between the board of directors and the executive board.</p> | <p><b>Hartmann complies with this recommendation.</b></p> <p>In accordance with the rules of procedure, the chairman may not undertake any offices on behalf of the company which do not form part of the office as chairman. However, if specifically required, the chairman 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 man-</p>  |   |

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| <p>agement 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 accounts 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 selection and nomination of candidates for the board of directors be carried out through a thoroughly transparent process approved by the overall board of directors. When assessing its composition and nominating new candidates, the board of directors must take into consideration the need for integration of new talent and diversity in relation to age, international experience and gender.</p>  | <p><b>Hartmann complies with this recommendation.</b></p> <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.</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>3.1.3. The committee recommends</b> that a description of the nominated candidates' qualifications, including information about the candidates'</p> <ul style="list-style-type: none"> <li>• other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises, be accompanied by the notice convening the general meeting when election of members to the board of directors is on the agenda.</li> <li>• demanding organisational tasks, and information</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>  |

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| <ul style="list-style-type: none"> <li>about whether candidates to the board of directors are considered independent.</li> </ul> <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, knowledge about the industry, diversity (e.g. age, international experience and gender), educational background, etc., which represent qualities paramount to the board of directors. The nomination to the general meeting on the composition of the board of directors should be drawn up against this background.</p>  |  |
| <p>3.1.4. <b>The committee recommends</b> that the company's articles of association stipulate a retirement age for members of the board of directors.</p>   | <p><b>Hartmann complies with this recommendation.</b></p> <p>Pursuant to Hartmann's Articles of Association, the individual members of the board of directors must not be aged above 69 when joining the board of directors. Board members must resign from the board of directors not later than at the first annual general meeting held after their 70th birthday.</p> <p>The annual report contains information about the age of the individual board members.</p> |
| <p>3.1.5. <b>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><u>3.2 Independence of the board of directors</u></p> <p>3.2.1. <b>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 member of the executive board, or senior staff member in the company, a subsidiary undertaking or an associate,</li> <li>within the past five years, have received larger emoluments from the company/group, a subsidiary undertaking or an associate in another capacity than as</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>  |

member of the board of directors,

- represent the interests of 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 partner at the external auditor,
- have been chief executive in a company holding cross-memberships with the company,
- have been member of the board of directors for more than 12 years, or
- have been close relatives with persons who are not considered 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 represents the executive board, the chairman of the board of directors, controlling shareholders or the company.

It is important that the board of directors introduces new talent among its members, and that the individual members of the board of directors, under the circumstances, recognise the value of being critical of previously adopted resolutions.

The fact that a member of the board of directors was elected by votes of the controlling shareholder does not in itself influence the assessment of that member's independence. Other factors determine the question of independence, including whether the person in question is member of the executive management of or has close ties to the company's controlling shareholder.

Cross-memberships of executive management are seen e.g. where a member of the board of directors in company A is a member of the executive board in company B, at the same time as a member of the board of directors in company B is a member of the



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| <p>executive board in company A. A similar situation may arise where a member of the board of directors has significant links with 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 assesses 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.</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, includes the following information about the members of the board of directors:</p> <ul style="list-style-type: none"> <li>• the position of the relevant person,</li> <li>• the age and gender of the relevant person,</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>• other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises and</li> <li>• 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</li> </ul> | <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>  |

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| <p>year.</p>  |   |
| <p><b>3.4 Board committees</b></p> <p>Board committees may increase efficiency and improve the quality of the work performed 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 ones recommended below. 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.</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 qualifications.</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> <p>The board of directors may establish board committees to undertake ad hoc tasks to be defined by the board of directors at the time of establishment of the committee. The tasks of ad hoc committees are preparatory and form the basis of considerations 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 a separate fee to the members of the committee. The amount of such fee will be disclosed in the annual report and presented at the general meeting.</p> |
| <p><b>3.4.2. The committee recommends</b> that a majority of the members of a board committee be</p>  | <p><b>Hartmann complies with this recommendation.</b></p>   |

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| independent.  | <p>The board of directors ensures compliance with the recommendation when a board committee is established.</p> <p>The board of directors has resolved to let the entire board of directors undertake the function of a board committee, always provided that an assessment is made as to whether special requirements for the committee are met in the board of directors in compliance with the Recommendations.</p>  |
| <p><b>3.4.3. The committee recommends</b> that the board of directors set up a formal audit committee composed such that</p> <ul style="list-style-type: none"> <li>the chairman of the board of directors is not chairman of the audit committee, and</li> <li>between them, the members should possess such expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit aspects of companies whose shares are admitted to trading on a regulated market.</li> </ul>          | <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 and accounting and audit conditions of listed companies.</p>           |
| <p><b>3.4.4. The committee recommends</b> that, prior to the approval of the annual report and other financial reports, the audit committee monitors and reports 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><b>3.4.5. The committee recommends</b> that the audit committee:</p> <ul style="list-style-type: none"> <li>annually assesses the need for an internal audit, and in such case, makes recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, 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> The alternative to setting up an</p> | <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 function and the individual subsidiaries.</p> <p>The audit committee has considered whether there is such a need and agrees with the entire board of directors.</p> |

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| <p>internal audit function may be to outsource the task, possibly to another party than the auditor elected by the general meeting. The party in question will carry out the internal audit and refer to the board of directors.</p>   |  |
| <p><b>3.4.6. The committee recommends</b> that the board of directors establish a nomination committee chaired by the chairman of the board of directors with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• describe the qualifications required by the board of directors and the executive board, and for a specific membership, state the time expected to be spent on having to carry out the membership, as well as assess the competences, knowledge and experience of the two governing bodies combined,</li> <li>• annually assess the structure, size, composition and results of the board of directors and the executive board, as well as recommend any changes to the board of directors,</li> <li>• annually assess the competences, knowledge and experience of the individual members of management, and report to the board of directors in this respect,</li> <li>• consider proposals from relevant persons, including shareholders and members of the board of directors and the executive board for candidates for the board of directors and the executive board, and</li> <li>• propose an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.</li> </ul> <p><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>Hartmann has not established a nomination committee. Board duties relating to nomination are prepared by the chairman and vice chairman, who submit their proposals to the entire board of directors.</p>  |
| <p><b>3.4.7. The committee recommends</b> that the board of directors establish a remuneration committee with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• to recommend 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</li> </ul>   | <p><b>Hartmann does not comply with this recommendation.</b></p> <p>Hartmann has not established a remuneration committee. Board duties relating to remuneration are prepared by the chairman and vice chairman, who submit their proposals to the entire board of directors.</p> <p>The board of directors has adopted a remuneration</p> |

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| <p>approval by the general meeting,</p> <ul style="list-style-type: none"> <li>• make proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensure 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 about the total amount of remuneration that members of the board of directors and the executive board receive from other companies in the group, and</li> <li>• recommend a remuneration policy applicable for the company in general.</li> </ul>   | <p>policy applying to the company generally.</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><u>3.5 Evaluation of the performance of the board of directors and the executive board</u></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 where contributions and results of the board of directors and the individual members, as well as collaboration with the executive board are annually evaluated. Significant changes deriving from the evaluation should be included in the management commentary or on the company's website.</p> <p><b>Comment:</b> The evaluation should consider the composition, work and results of the board of directors (including the number of members). The need for and usefulness of the committee structure, as well as organisation of work and the quality of material for the board of directors, should also be included in the evaluation.</p> <p>The evaluation of the individual member could benefit from being carried out as an anonymous assessment among the other members to be followed by an annual interview between the chairman and the individual member. The evaluation</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 executive board.</p> <p>The chairman, and some years an external consultant, conducts the evaluation of Hartmann's board of directors, and the results are discussed by the entire board of directors.</p> <p>The method of evaluation and the results are disclosed in the statutory statement of corporate governance, which is available on the company's website.</p> <p>Board members' needs for supplementing their qualifications are assessed as part of the board's self-assessment.</p> |

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| <p>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 evaluation of its composition every year and ensure integration of new talent while maintaining continuity. This evaluation should form the basis for new initiatives to be launched, such as relevant supplementary training and new talent or replacement.</p> <p>This evaluation will also include participation by the individual members in board and committee meetings.</p> |  |
| <p><b>3.5.2. The committee recommends</b> that in connection with preparation of the general meeting, the board of directors consider whether the number of members is appropriate in relation to the requirements of the company. This should help ensure a constructive debate and an effective decision-making process in which all members are given the opportunity to participate actively.</p>   | <p><b>Hartmann complies with this recommendation.</b></p> <p>In connection with the preparations for the company's annual general meeting, it is considered whether the number of board members is appropriate in relation to the requirements of the company. Such considerations also take into account factors such as the strategy of the company and the qualifications of the members.</p>   |
| <p><b>3.5.3. 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 clear criteria.</p> <p><b>Comment:</b> Executive board members, who are members of the board of directors, should not participate in the board of directors' evaluation of the executive board as they are regarded as disqualified in this respect.</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>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 work of the executive board under a regular agenda item without the presence of the executive board.</p> |
| <p><b>3.5.4. 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 entire board of directors.</p>  |
| <p><b>4 Remuneration of management</b></p> <p>Openness and transparency about all important</p>   |  |

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| <p>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 board of directors and the executive board). 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><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 clear and transparent 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, and</li> <li>• a description of the criteria on which the balance between the individual components of the remuneration is based.</li> </ul> <p>The remuneration policy should be approved by the general meeting and published on the company's website.</p> <p><b>Comment:</b> The remuneration policy comprises fixed emoluments as well as incentive pay schemes. The remuneration policy, including the general guidelines for incentive-based remuneration laid down in section 139 of the Companies Act, is after approval by the general meeting only to be heard by the general meeting again, if the policy or the guidelines adopted for incentive-based remuneration are subject to changes.</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.</p> <p>Information about the specific remuneration of the individual members of the board of directors and the executive board is disclosed in the annual report.</p> <p>The remuneration policy 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</p>   | <p><b>Hartmann complies with this</b></p>  |



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| <p>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 linkage be ensured between remuneration for governing body members, expected risks and the value creation for shareholders in the short and long terms,</li> <li>• there be clarity about performance criteria and measurability for award of variable components,</li> <li>• there be criteria ensuring that qualifying periods for variable components in remuneration agreements are longer than one calendar year, and</li> <li>• an agreement is made which, in exceptional cases, entitles the company to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be misstated.</li> </ul> | <p><b>recommendation.</b></p> <p>The remuneration policy for the executive board of Hartmann does not include any variable components other than annual and multi-annual bonus. The bonus scheme for the executive board complies with the first three elements of the recommendation and sets out the recommended entitlement for the company.</p> <p>The remuneration paid to the board of directors does not include any variable components.</p> |
| <p>4.1.3. <b>The committee recommends</b> that remuneration of members of the board of directors does 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>4.1.4. <b>The committee recommends</b> that if share-based remuneration is provided, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should have a maturity of at least three years from the date of allocation.</p>   | <p><b>NA.</b></p> <p>Hartmann does not offer share-based remuneration.</p>   |
| <p>4.1.5. <b>The committee recommends</b> that agreements on termination payments should not amount to more than two years' annual remuneration.</p>  | <p><b>Hartmann complies with this recommendation.</b></p>  |
| <p><u>4.2 Disclosure of the remuneration policy</u></p> <p>4.2.1. <b>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>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>4.2.2. <b>The committee recommends</b> that the proposed remuneration for the board of directors for the current financial year be approved by the</p>   | <p><b>Hartmann complies with this recommendation.</b></p> <p>The remuneration of the board of directors for the</p>  |

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| <p>shareholders at the general meeting.</p>   | <p>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 total remuneration granted to each member of the board of directors and the executive board by the company and other companies in the group, including information on the most important contents of retention and retirement/resignation schemes, be disclosed in the annual report and that the linkage with the remuneration policy be explained.</p> <p><b>Comment:</b> If the total remuneration includes contributions to pension schemes, such payments and the actuarial value and changes of such schemes over the year, are considered to be covered by the disclosure on remuneration. Severance programmes cover a wide area, including period of notice and qualification, termination payment, change of control agreements, insurance and pension schemes, payment of pension contributions after retirement, etc.</p>  | <p><b>Hartmann complies with this recommendation.</b></p> <p>The amounts of the total specified remuneration paid by the group to the members of the board of directors and the executive board are disclosed in Hartmann's annual report.</p> <p>The most important contents of the severance terms applying to the executive board are disclosed in the annual report.</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 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</p> |  |

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| <p>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 the risks are identified and communicated, and that the risks are 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>The executive board should regularly identify the most important risks and report to the board of directors about the developments in the most important risk areas, including initiatives and action plans.</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 of Hartmann's business.</p> |
| <p><u>5.2 Whistleblowing</u></p> <p>5.2.1. <b>The committee recommends</b> that the board of directors decide whether to establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.</p> <p><b>Comment:</b> A whistleblower scheme should have its roots in 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>   |

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| <p><b>5.3 Contact to auditor</b></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 and the board of directors, including that the board of directors and the audit committee at least once a year meet with the auditor 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 auditors' fee be agreed between the board of directors and the auditor on the basis of a recommendation from the audit committee.</p>  | <p><b>Hartmann complies with this recommendation.</b></p> <p>The fee to the auditors is subject to approval by the board of directors based on a recommendation by the audit committee. The practical management of the auditors' agreement is undertaken by the executive board.</p>  |