



# Statutory corporate governance statement for 2017, cf. section 107b of the Danish Financial Statements Act

(This statement forms part of management's review in H+H International A/S's annual report for the accounting period 1 January to 31 December 2017)

The sections below headed "Composition and function of management bodies" and "Internal control and risk management systems for the financial reporting process" are covered by the statement on management's review as part of the independent auditors' report in H+H International A/S's annual report for 2017, whereas the other information in this *Statutory corporate governance statement for 2017, cf. section 107b of the Danish Financial Statements Act* is not covered by the auditors' report in H+H International A/S's annual report for 2016.

## COMPOSITION AND FUNCTION OF MANAGEMENT BODIES

H+H International A/S has a two-tiered management structure consisting of the Board of Directors and the Executive Board, where the Executive Board is subordinate to the guidelines and decisions of the Board of Directors. There is no overlap between the members of the Board of Directors and the Executive Board. The Board of Directors is responsible for the overall and strategic management, while the Executive Board is responsible for day-to-day management with reference to the Board of Directors. The tasks of the Board of Directors and the Executive Board are further described in the rules of procedure for the Board of Directors and the Executive Board respectively. The tasks described include those stipulated in the Danish Companies Act, sections 115 (tasks of the Board of Directors) and 117 (tasks of the Executive Board).

Since April 2017 where an extra member was elected to the Board of Directors, the Board consisted of six members in 2017, all elected by the general meeting. The Board of Directors has established three committees: an Audit Committee (two members), a Remuneration Committee (three members) and a Nomination Committee (three members). Three board members are members of two committees, two board members are each member of one committee and the newly elected member is not member of any committee, since that member has special knowledge about the German building materials market and has therefore been a good sounding board for the Executive Board during the H+H Group's acquisition in December 2017 of HeidelbergCement's calcium-silicate production business in Germany and Switzerland. The Audit Committee assists the Board of Directors in the supervision of issues concerning accounting, auditing, internal controls and risk management. The Remuneration Committee oversees developments in salary and incentive pay, including whether the share-based incentive programme promotes continuous and long-term value creation for shareholders. The Remuneration Committee also prepares recommendations to the Board of Directors on remuneration policy and overall guidelines for incentive pay to the Executive Board. The Nomination Committee assists the Chairman in carrying out the Board of Directors' self-evaluation as well as in identifying and recommending candidates for the Board of Directors to propose to the general meeting based on the relevant collective competences to have represented among the board members and the conclusions from the Board of Directors' self-evaluation process. The specific charter for each committee is available on the company's website, [www.HplusH.com](http://www.HplusH.com).

The company's Executive Board consists of the CEO and the CFO.



The general meeting of H+H International A/S has approved *Remuneration guidelines for the Board of Directors and the Executive Board, including general guidelines for incentive pay to the Executive Board*. The purpose of the guidelines is to ensure that the remuneration packages for the Executive Board support both the short- and the long-term goals of the company and that the remuneration level is aligned with the shareholders' interests in increased value creation. Also, under the guidelines, the members of the Board of Directors may only receive remuneration in the form of a fixed board fee in cash approved by the annual general meeting in the financial year concerned. In light of the Chairman's additional tasks and responsibilities, the Chairman receives a fee that is twice the standard fee paid to ordinary members. Unlike the members of the Board of Directors, members of the Executive Board may receive not only a fixed annual salary but also incentive pay in the form of a performance-based short-term incentive pay scheme (cash-based) and a performance-based long-term incentive pay scheme (share-based). The incentive pay schemes' performance criteria are related to certain company-related key performance indicators (KPIs – EBIT, EBITDA, PBT, EPS, ROE, increases in share price etc.) and/or certain individual key performance criteria, whether financial or non-financial in nature (execution of specific strategic projects (turnaround plans, acquisition plans, achievements within research & development etc.)). The total incentive pay (when valued at the start of the vesting period in accordance with IFRS) may not exceed 80% of the executive board member's fixed annual salary at the start of the vesting period.

## INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS FOR THE FINANCIAL REPORTING PROCESS

### General

H+H International A/S's Board of Directors and Executive Board are ultimately responsible for the Group's risk management and internal control environment in relation to financial reporting, including compliance with relevant legislation and other regulations in relation to financial reporting. The Audit Committee assists the Board of Directors in its responsibilities in this respect by researching and preparing various matters which are then presented to the Board of Directors for information and decision. The Audit Committee held five meetings in 2016.

H+H's risk management, including internal controls in relation to the financial reporting process, is designed to effectively minimise the risk of errors and omissions. The Board of Directors, the Audit Committee and the Executive Board regularly assess material risks and internal controls in relation to the Group's activities and their potential impact on the financial reporting. H+H's risk management and internal control environment are developed and improved on an ongoing basis so that they always match the requirements of an international group.

### Control environment

The Board of Directors and the Audit Committee assess H+H's organisational structure and staffing in key areas at least once a year. The aim is a well-defined organisational structure, unambiguous reporting lines, delegated authorities and documentation, and appropriate segregation of duties ("the four-eye principle").

The Audit Committee and ultimately the Board of Directors consider whether there is a need for an internal audit function at least once a year. Given H+H's limited size and low complexity, and given that existing control procedures and the regular reporting on control activities to the Audit Committee are deemed satisfactory, neither the Audit Committee nor the Board of Directors currently sees any need to set up an internal audit function at H+H International A/S.

The Board of Directors or the Executive Board establishes and approves group-wide policies, procedures and controls in relation to the financial reporting process, including the H+H Accounting Manual, which prescribes processes, internal control measures, segregation of duties, reconciliation, approval, authorisation, accounting practices, internal and external reporting etc. The approved policies,



procedures and controls are distributed and known to all relevant employees in the Group. The Executive Board has entrusted Group Finance with the responsibility of acting as the central controlling function for the Group, and in this role Group Finance monitors and checks compliance with group policies, procedures etc. at subsidiaries on a continuous basis.

The Executive Board continuously monitors and controls subsidiaries' compliance with relevant legislation, regulations and policies in relation to financial reporting, and the Executive Board regularly reports to the Audit Committee and/or the Board of Directors on any material findings.

#### Risk evaluation

The Audit Committee and the Executive Board carry out an overall assessment of the risks related to the financial reporting processes at least once a year. As part of their risk assessment, the Board of Directors, the Audit Committee and the Executive Board continuously consider the risk of fraud and the measures that need to be taken with a view to mitigating or eliminating such risks.

Based on the outcome of the risk assessment, the Audit Committee and ultimately the Board of Directors consider and approve revisions to the H+H Risk Management Policy. The policy includes a description of the main risks related to the financial reporting process as well as the actions to be taken in order to eliminate or reduce the risks identified.

#### Control activities, including monitoring

The definition of the specific control activities is based on the risk assessment at any given time. Group Finance ensures that the financial reporting processes etc. set out in the various H+H policies are implemented and monitored. This ensures a uniform make-up and structure of the Group's internal controls. The aim of H+H's control activities is to ensure that the policies, manuals and other procedures defined by the Board of Directors and/or the Executive Board are adhered to. These activities also ensure that any errors, deviations and omissions are prevented, detected and corrected. H+H regularly implements new financial reporting processes as well as controls intended to assist in further mitigating the risks. In 2017, the main focus has been to further develop Forex hedging procedures as well as closely monitor the expected and actual development within relevant currencies.

The control activities include both automated and manual controls (e.g. on-the-spot stocktakes and interviews of relevant persons in the organisation of the H+H entity being controlled). The control activities are carried out by Group Finance, and sometimes the external auditors or other consultants are called upon to assist with monitoring and controls. The control activities are carried out pursuant to certain set requirements in respect of frequency and documentation, obtaining assurance of the existence of the assets claimed in the reporting, reconciliation, the financial analysis to be applied etc. The scope and frequency of the control measures applied with respect to each subsidiary depend on the risk assessment and the subsequent risk rating made on an ongoing basis in respect of each subsidiary.

Subsidiaries must follow the H+H Accounting Manual. The financial reporting to Group Finance includes budget reporting and monthly reporting, including reporting of deviations, as well as periodic adjustment of the estimates for the year. The reporting includes an income statement, a balance sheet and a cash flow statement, as well as the option of providing other information where relevant or so requested by Group Finance.

Every year in connection with audit of the annual report, management from each subsidiary declares that the financial reporting provided by management presents an accurate picture of the financial status of the specific subsidiary and that the various financial H+H Group policies have been complied with.



Any weaknesses, lack of control, breach of group policies etc. or other material deviations identified during the control activities are reported by Group Finance to the Executive Board. Group Finance prepares a report describing the findings made for each control visit at a subsidiary, and the material findings are comprised in a report discussed with the Audit Committee. Depending on whether the findings are serious or touch on matters of principle, the findings are ultimately conveyed to the Board of Directors for their information and consideration. In addition to Group Finance's reports for each control visit, H+H International A/S's external auditor reports in the audit book to the Board of Directors on any material weaknesses identified in the Group's internal control systems in relation to the financial reporting process. Less important issues are, however, communicated directly to the Executive Board. When weaknesses or faults in the control system are detected, the Audit Committee oversees whether the Executive Board reacts effectively and whether agreed actions to strengthen risk management and internal controls in relation to the financial reporting process are implemented according to plan.

#### Information and communication

At least every other year the H+H *IR Policy* is reviewed and, where relevant, amended. The policy declares that H+H International A/S's goal is always to fulfil the disclosure obligations in the *EU Market Abuse Regulation* and *Nasdaq Copenhagen's Rules for issuers of shares* and all other relevant disclosure requirements and that all IR information provided must be relevant, accurate and timely. The policy clearly sets out who is responsible for H+H International A/S's IR activities, as well as who can be contacted in relation to IR matters.

#### PRINCIPLES FOR GOOD CORPORATE GOVERNANCE

As a listed company, H+H International A/S is subject not only to the requirements laid down in the Danish Financial Statements Act, but also the *Rules for issuers of shares* issued by the Danish stock exchange (Nasdaq Copenhagen). Under these rules, H+H International A/S must disclose whether or not the company complies with the *Recommendations on Corporate Governance* issued by the Committee on Corporate Governance in Denmark, and the reasons for any non-compliance with a recommendation must be given together with a description of the company's alternative practice within that area, if any. This reporting is to take place annually and be published together with the annual report for the financial year in question.

The *Recommendations on Corporate Governance* can be found on [www.corporategovernance.dk](http://www.corporategovernance.dk) as well as in H+H's corporate governance reporting table for the 2017 financial year below:

#### CORPORATE GOVERNANCE REPORT FOR 2017

- Non-compliance with the recommendation
- Partial compliance with the recommendation
- Compliance with the recommendation

| Recommendation  | Level of compliance | H+H's reasoning in case of non-compliance and description of any alternative compliance measures |
|---|---------------------|--|
| 1. Communication and interaction by the company with its investors and other stakeholders |                     |  |
| 1.1. Dialogue between company, shareholders and other stakeholders                        |                     |  |

| Recommendation   | Level of compliance | H+H's reasoning in case of non-compliance and description of any alternative compliance measures |
|--|---------------------|--|
| 1.1.1. The Committee <b>recommends</b> that the 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.   | ●                   |  |
| 1.1.2. The Committee <b>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.  | ●                   |  |
| 1.1.3. The Committee <b>recommends</b> that the company publish quarterly reports.   | ●                   |  |
| 1.2. General meeting   |                     |  |
| 1.2.1. The Committee <b>recommends</b> that when organizing the company's general meeting, the board of directors plans the meeting to support active ownership.   | ●                   |  |
| 1.2.2. The Committee <b>recommends</b> that proxies granted for the general meeting allow shareholders to consider each individual item on the agenda.   | ●                   |  |
| 1.3. Takeover bids   |                     |  |
| 1.3.1. The Committee <b>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 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. | ●                   |  |
| <b>2. Tasks and responsibilities of the board of directors</b>   |                     |  |

| Recommendation   | Level of compliance | H+H's reasoning in case of non-compliance and description of any alternative compliance measures   |
|--|---------------------|--|
| 2.1. Overall tasks and responsibilities  |                     |  |
| 2.1.1. The Committee <b>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.   | ●                   |  |
| 2.1.2. The Committee <b>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 to ensuring value creation in the company.  | ●                   |  |
| 2.1.3. The Committee <b>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. | ●                   |  |
| 2.1.4. The Committee <b>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.   | ●                   |  |
| 2.1.5. The Committee <b>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.   | ●                   |  |
| 2.1.6. The Committee <b>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.                        | ●                   | H+H International A/S has not set any objectives or produced any policy to ensure diversity at management levels in the company and this is a departure from recommendation 2.1.6 of the Recommendations on Corporate Governance. However, not to set objectives or have a policy is in line with the exemption granted in section 139a(6) of the Companies Act for small organisations with less than 50 employees in respect of the obligation to set objectives and produce a policy to ensure diversity, including a higher proportion of the underrepresented gender. |

| Recommendation   | Level of compliance | H+H's reasoning in case of non-compliance and description of any alternative compliance measures   |
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|  |                     | <p>The decision not to establish any objectives or policy with regard to diversity is because of there being less than 15 employees in H+H International's organization, meaning there are only limited or no changes in the organisation in a given year, which again makes it very difficult to effectively pursue any diversity objectives and policy within a meaningful time frame. That being said, H+H International's organisation is quite diverse in respect of competencies, age and nationality, since out of the current 11 employees (including the Executive Board), there are three women and eight men, three different nationalities and ages ranging from 30 to 65 years.</p> |
| 2.2. Corporate social responsibility   |                     |  |
| 2.2.1. The Committee <b>recommends</b> that the board of directors adopt policies on corporate social responsibility.  | ●                   |  |
| 2.3. Chairman and vice-chairman of the board of directors  |                     |  |
| 2.3.1. The Committee <b>recommends</b> appointing a vice-chairman of the board of directors who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective sparring partner for the chairman. | ●                   | <p>The Board of Directors decided in April 2013 not to have a chairmanship with a Chairman and a Deputy Chairman, but rather just have a Chairman. The decision was made due to the fact that even though the challenges and opportunities relating to the management of the H+H Group may be many at times, the management of H+H is not so complex that it necessarily requires a Deputy Chairman to assist the Chairman. The Board has put in place procedures to ensure that the Board can function in case the Chairman cannot attend meetings on a temporary basis.</p>  |
| 2.3.2. The Committee <b>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,  | ●                   |  |

| Recommendation  | Level of compliance | H+H's reasoning in case of non-compliance and description of any alternative compliance measures |
|---|---------------------|--|
| 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.  |                     |  |
|   |                     |  |
| 3.1. Composition  |                     |  |
| 3.1.1. The Committee <b>recommends</b> that the board of directors annually accounts for <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>   | ●                   |  |
| 3.1.2. The Committee <b>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.   | ●                   |  |
| 3.1.3. The Committee <b>recommends</b> that the notice convening the general meeting when election of members to the board of directors is on the agenda be accompanied by a description of the nominated candidates' qualifications, including information about the candidates' <ul style="list-style-type: none"> <li>• other executive functions, among these memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises</li> <li>• demanding organizational tasks, and information about</li> <li>• whether candidates to the board of directors are considered independent.</li> </ul> | ●                   |  |

| Recommendation   | Level of compliance | H+H's reasoning in case of non-compliance and description of any alternative compliance measures   |
|--|---------------------|--|
| 3.1.4. The Committee <b>recommends</b> that the company's articles of association stipulate a retirement age for members of the board of directors.  | ●                   | The Board of Directors considers a fixed retirement age to be arbitrary and, instead, wants the Board of Directors in their nominations and the general meeting in their election of board members to be able to make a decision on the basis of an overall assessment of the candidates in which age is just one of several parameters. |
| 3.1.5. The Committee <b>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.  | ●                   |  |
| 3.2. Independence of the board of directors  |                     |  |
| <p>3.2.1. The Committee <b>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. 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 member of the board of directors,</li> <li>• represent the interests of a controlling shareholder,</li> <li>• 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.</li> <li>• be or within the past three years have been employed or partner at the external auditor,</li> <li>• have been chief executive in a company holding cross-memberships with the company,</li> <li>• have been member of the board of directors for more than 12 years, or</li> <li>• have been close relatives with persons who are not considered independent.</li> </ul> | ●                   |  |

| Recommendation  | Level of compliance | H+H's reasoning in case of non-compliance and description of any alternative compliance measures |
|---|---------------------|--|
| 3.3. Members of the board of directors and the number of other executive functions  |                     |  |
| 3.3.1. The Committee <b>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.   | ●                   |  |
| 3.3.2. The Committee <b>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: <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 organizational tasks, and</li> <li>• the number of shares, options, warrants and similar in the company, and other group companies of the company, owned by the member, as well as changes in the portfolio of the member of the securities mentioned which have occurred during the financial year.</li> </ul> | ●                   |  |
| 3.4. Board committees   |                     |  |
| 3.4.1. The Committee <b>recommends</b> that the company publish the following on the company's website: <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> </ul>  | ●                   |  |

| Recommendation   | Level of compliance | H+H's reasoning in case of non-compliance and description of any alternative compliance measures |
|--|---------------------|--|
| <ul style="list-style-type: none"> <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>   |                     |  |
| 3.4.2. The Committee <b>recommends</b> that a majority of the members of a board committee be independent.   | ●                   |  |
| 3.4.3. The Committee <b>recommends</b> that the board of directors set up a formal <u>audit committee</u> composed such that <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> | ●                   |  |
| 3.4.4. The Committee <b>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: <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>   | ●                   |  |
| 3.4.5. The Committee <b>recommends</b> that the audit committee: <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>   | ●                   |  |

| Recommendation   | Level of compliance | H+H's reasoning in case of non-compliance and description of any alternative compliance measures  |
|--|---------------------|---|
| <p>3.4.6. The Committee <b>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>3.4.7. The Committee <b>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 approval by the general meeting,</li> <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>The Board of Directors has established a Remuneration Committee with the said preparatory tasks, except that the Committee has only recommended a remuneration policy for the Board of Directors and the Executive Board, but not for the company in general since such policy would only apply to 9 employees with very different areas and levels of responsibility.</p> |

| Recommendation   | Level of compliance | H+H's reasoning in case of non-compliance and description of any alternative compliance measures |
|--|---------------------|--|
| 3.4.8. The Committee <b>recommends</b> that the remuneration committee do not consult with the same external advisers as the executive board of the company.   | ●                   |  |
| 3.5. Evaluation of the performance of the board of directors and the executive board   |                     |  |
| 3.5.1. The Committee <b>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. | ●                   |  |
| 3.5.2. The Committee <b>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.     | ●                   |  |
| 3.5.3. The Committee <b>recommends</b> that at least once every year the board of directors evaluate the work and performance of the executive board in accordance with predefined clear criteria.   | ●                   |  |
| 3.5.4. The Committee <b>recommends</b> that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalized 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.                            | ●                   |  |
| <b>4. Remuneration of management</b>   |                     |  |
| 4.1. Form and content of the remuneration policy   |                     |  |
| 4.1.1. The Committee <b>recommends</b> that the board of directors prepare a clear and transparent remuneration policy for the board of directors and the executive board, including   | ●                   |  |

| Recommendation  | Level of compliance | H+H's reasoning in case of non-compliance and description of any alternative compliance measures |
|---|---------------------|--|
| <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>4.1.2. The Committee <b>recommends</b> that, if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> <li>limits be set on the variable components of the total remuneration package,</li> <li>a reasonable and balanced 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>4.1.3. The Committee <b>recommends</b> that remuneration of members of the board of directors does not include share options.</p>  | ●                   |  |
| <p>4.1.4. The Committee <b>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>4.1.5. The Committee <b>recommends</b> that agreements on termination payments should not amount to more than two years' annual remuneration.</p>  | ●                   |  |

| Recommendation   | Level of compliance | H+H's reasoning in case of non-compliance and description of any alternative compliance measures |
|--|---------------------|--|
| 4.2. Disclosure of the remuneration policy   |                     |  |
| 4.2.1. The Committee <b>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.  | ●                   |  |
| 4.2.2. The Committee <b>recommends</b> that the proposed remuneration for the board of directors for the current financial year be approved by the shareholders at the general meeting.  | ●                   |  |
| 4.2.3. The Committee <b>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. | ●                   |  |
| 5. Financial reporting, risk management and audits   |                     |  |
| 5.1. Identification of risks and transparency about other relevant information   |                     |  |
| 5.1.1. The Committee <b>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.   | ●                   |  |
| 5.2. Whistleblower scheme  |                     |  |
| 5.2.1. The Committee <b>recommends</b> that the board of directors decide whether to establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.   | ●                   |  |
| 5.3. Contact to auditor  |                     |  |



| Recommendation   | Level of compliance | H+H's reasoning in case of non-compliance and description of any alternative compliance measures |
|--|---------------------|--|
| <p>5.3.1. The Committee <b>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>●</p>            |  |
| <p>5.3.2. The Committee <b>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>●</p>            |  |