

# Corporate governance

Royal Unibrew has focus on running its business and designing its management systems in accordance with the corporate governance principles. The objective is to ensure that Royal Unibrew meets its obligations to shareholders, customers, employees, authorities and other stakeholders in the best possible way and that long-term value creation is supported.

The recommendations of the Committee on Corporate Governance, current legislation and regulation in the area, best practice and internal rules provide the framework for Royal Unibrew's corporate governance.

Royal Unibrew complies with the Corporate Governance Recommendations with very few exceptions which are described below.

Royal Unibrew's website <http://investor.dk.royalunibrew.com/corporate-governance.cfm> provides a detailed description of the Board of Directors' approach to the Corporate Governance Recommendations issued by the Committee on Corporate Governance.

Royal Unibrew complies with the Corporate Governance Recommendations issued by the Committee on Corporate Governance with the following two exceptions:

## Board committees (recommendation 3.4):

The Committee recommends that the board of directors establish an actual audit committee composed so that the chairman of the board of directors is not the chairman of the audit committee.

The Board of Directors of Royal Unibrew has decided to take on the audit committee tasks jointly. As a result of this, as allowed under applicable legislation, the chairman of the Board of Directors is also the chairman of the audit committee. The Board's decision to take on the audit committee tasks jointly should be viewed in light of the Company's size, transparency of reporting and clear procedures, due to which the Company's Board of Directors finds no need for a separate audit committee.

## Disclosure of the remuneration policy (recommendation 4.2):

The Committee recommends 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.

The remuneration of members of the Board of Directors is disclosed in the section "Remuneration". Disclosure of the remuneration of the individual members of the Executive Board is not at present considered material to stakeholders' assessment. The total remuneration of the Executive Board is disclosed in note 5. The remuneration of the Executive Board is considered in line with that of peer companies. The remuneration of the Executive Board is in accordance with the remuneration policy.

## Diversity

A statement is made in accordance with section 99 b of the Danish Financial Statements Act.

Royal Unibrew aims at promoting diversity in our organisation, which includes achieving a reasonable representation of both genders, both on the Board of Directors and on the top management team. This is based on a wish to strengthen the versatility and total competences of the business and to improve decision-making processes.

The international management team of Royal Unibrew – comprising the Executive Board and the executives just below – comprises 70% (2016: 65%) men and 30% (2016: 35%) women. The target is at least 40% representation of each gender. When new executives are recruited, emphasis is placed on identifying candidates of both genders without discrimination, and Royal Unibrew is seeking to encourage female candidates' interest in taking on managerial tasks.

At present, five of the directors of Royal Unibrew elected by the general meeting are men and one is a woman, while the directors elected by the employees are three men and one woman. Since 2014, the Board of Directors has had two international members and five Danish members elected by the general meeting. The target is an approximate 20% share of female directors before 2020. No directors elected by the general meeting have been replaced in 2017; therefore, the target of 20% has not yet been reached. Following the retirement of one male director, the share of female directors has increased from 14% to 17%.

It is the Board of Directors' objective that its members should, to the widest extent possible, complement each other in terms of age, background, nationality, gender, etc with a view to ensuring a competent and versatile contribution to the board duties at Royal Unibrew. These matters are assessed when the nomination committee identifies new candidates for the Board of Directors, and it is an objective of the committee to identify both male and female candidates. However, recommendation of candidates will always be based on an assessment of the individual candidates' competences and how they match Royal Unibrew's needs and contribute to the overall efficiency of the Board.

## Shareholder and stakeholder relations

Royal Unibrew's Management wants and works actively to maintain good and open communication and dialogue with its shareholders and other stakeholders. The Company believes that a high level of openness in the communication of information on the Company's development supports the Company's work and a fair valuation of the Company's shares. The Group's openness is limited only by the duties of disclosure of Nasdaq Copenhagen A/S and by competitive considerations.

The dialogue with and communication to shareholders and other stakeholders take place by the issuing of Annual and Interim Reports and other announcements by the Company, via audio casts, meetings with investors, analysts and the press. Annual and Interim Reports and other announcements are accessible at Royal Unibrew's website immediately after being published. Our website also includes material used in connection with investor presentations and audio casts.

According to the Articles of Association of the Company, general meetings shall be convened not more than five weeks and not less than three weeks prior to the general meeting. It is an objective to formulate the notice convening the meeting and the agenda so as to give shareholders an adequate presentation of the business to be transacted at the general meeting. Proxies are limited to a specific general meeting and are formulated in such a way as to allow absent shareholders to give specific proxies for individual items of the agenda – either to the Board of Directors or to a person attending the general meeting. All documents relating to general meetings are published at Royal Unibrew's website.

Each share of a nominal value of DKK 2 entitles the holder to one vote. Royal Unibrew's shares are not subject to any restrictions of voting rights, and the Company has only one class of shares.

All shareholders may submit proposals for resolutions to the Board of Directors to be considered at the general meeting; such proposals for resolutions are to be received by the Board of Directors not later than six weeks prior to the date of the general meeting.

## Work of the Board of Directors

The Board of Directors handles overall strategic management, financial and managerial supervision of the Company as well as continuous evaluation of the work performed by the Executive Board on behalf of the shareholders.

The Board of Directors performs its work in accordance with the Rules of Procedure of the Company governing the Board of Directors and the Executive Board. These Rules of Procedure are reviewed and updated regularly by the full Board of Directors.

The directors usually meet for five annual ordinary board meetings, one of which focuses on the Company's strategic situation and prospects. In addition, the directors meet when required. In 2017, 8 board meetings were held and 5 absentees were noted.

The Board of Directors has established the following committees:

#### **Nomination committee**

The nomination committee consists of the Chairman and Deputy Chairman of the Board of Directors. In 2017, the primary activities of the nomination committee were the preparation of the annual evaluation of the Board of Directors and the recruiting of a new CEO. The committee held 3 meetings in 2017.

#### **Remuneration committee**

The remuneration committee consists of the Chairman and Deputy Chairman of the Board of Directors. In 2017, the primary activities of the remuneration committee were the assessment and recommendation of remuneration of the Board of Directors and the Executive Board. The committee held 2 meetings in 2017.

#### **Audit committee**

The Board of Directors of Royal Unibrew has so far jointly undertaken the audit committee tasks. This should be viewed in light of the Company's size until now, transparency of reporting and clear procedures. Consequently, the Company's Board of Directors has not previously found any need for a separate audit committee. The Board of Directors has decided that, going forward, it will not jointly undertake the audit committee tasks; in consequence, a separate audit committee will be established following the AGM in April 2018. Hence Royal Unibrew will going forward comply with recommendation 3.4 from the Committee on Corporate Governance. It is the Board of Directors' objective to secure quality and integrity in the Company's presentation of Financial Statements, audit and financial reporting. At the same time, the Board of Directors monitors accounting and reporting processes, the audit of the Company's financial reporting, risk issues and the external auditor's performance and independence. Moreover, due to new legislation requiring a mandatory change of external auditor, the Board of Directors has prepared a recommendation for appointment of a new external auditor for the AGM in 2018. The external auditor has participated in three meetings of the Board of Directors in connection with the Board of Directors' performance of audit committee tasks.

#### **Evaluation of the work of the Board of Directors**

Annual evaluation of the work of the Board of Directors is performed. The evaluation focuses on ensuring that the Board of Directors as a body has expertise and experience within Fast Moving Consumer Goods (FMCG), production, sales and marketing of brands globally and in business-to-business markets, strategic and general management and within economic, financial and capital market issues, including those relating to listed companies. The evaluation is made by the Chairman of the Board of Directors. For this purpose the Chairman receives written replies to a questionnaire distributed to all members of the Board. The findings of the evaluation are presented and discussed at a meeting of the Board of Directors.

The evaluation in 2017 did not give rise to changing the composition of the Board of Directors as the necessary competences are considered to be in place. Moreover, the Board of Directors evaluated that by establishing an audit committee and by continuous reporting from the nomination committee and the remuneration committee to the Board of Directors the working method could be strengthened.

The Executive Board and the cooperation between the Board of Directors and the Executive Board are evaluated on an annual basis as a minimum.

#### **Composition of the Board of Directors**

When composing the Board of Directors, we emphasise that the members have the competences required to solve the tasks. The Board of Directors assesses its composition annually, including ensuring that the combined competences and diversity of the members match the Group's activities.

Candidates for the Board of Directors are recommended for election by the general meeting supported by motivation in writing by the Board of Directors as well as a description of the recruiting criteria. The individual members' competences are described in the below section on the Board of Directors and the Executive Board. When joining Royal Unibrew, new members of the Board of Directors are given an introduction to the Royal Unibrew and to the markets in which the Group operates.

At present, the Board of Directors consists of six members elected by the general meeting and four members elected by the employees. Election of members by the employees takes place in compliance with the company law rules described at the Company's website. When joining the Board of Directors, the members elected by the employees are offered relevant training in serving on a board.

All members of the Board of Directors elected by the general meeting, except for Hemming Van who has been a member of Royal Unibrew's Board of Directors for more than 12 years, are considered independent in accordance with the Corporate Governance Recommendations issued by the Committee on Corporate Governance.