

Corporate governance

Royal Unibrew has focus on running its business and designing its management systems in accordance with the updated Recommendations for Corporate Governance of 23 November 2017. 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 pursued.

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 in a transparent and responsible fashion. Royal Unibrew complies with the Corporate Governance Recommendations with two exceptions as described below.

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

Diversity

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

Royal Unibrew aims to promote diversity from a conviction that diversity leads to cohesion. This includes an equitable representation of both genders, both within the Board of Directors as well as in our respective Management Teams and our workforce in general. 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 – a total of 120 leaders – comprises 69% (2017: 70%) men and 31% (2017: 30%) women. Our target is a more balanced gender representation of at least 40% of each gender. When recruiting new executives, we prioritize identifying candidates of both genders without discrimination and see to encourage female candidates' interest in taking on managerial tasks.

Currently, the Board of Directors consists of three male Board members elected by the Denmark based employees and seven Board members elected by the Annual General Meeting. Five of those are Danish, two are non-Danish. It is the intend to nominate two selected female, non-Danish Board members during our upcoming Annual General Meeting on 25 April 2019 in order to enhance our Board of Directors forum with qualified talent and more diverse expertise. Hemming Van, who has served our Board of Directors since 2004 with great energy and commitment, has decided not to run for re-election during our 2019 AGM and hence will leave our Board of Directors at that occasion.

We aim for the Board of Directors to consist of expert members who 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 and Remuneration 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 transparent communication and dialogue with its shareholders and other stakeholders. The Company believes that a high level of transparency 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 communicated by the Company via audio casts, meetings with investors, analysts and the press. Annual and Interim Reports and other announcements are available 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 and 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 also 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 Annual General Meeting; such proposals for resolutions are to be received by the Board of Directors no later than six weeks prior to the date of the Annual General Meeting.

Board of Directors

The Board of Directors oversees the company's overall strategy and supervises the organizational, financial and performance management of the Company as well as continuously evaluates the work performed by the Executive Board on behalf of the shareholders.

The Board of Directors performs its tasks 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 Board of Directors usually meets for six annual ordinary board meetings, of which at least one focuses on the Company's strategy and prospects and one takes place in a market in which the Company operates. In addition, the Board members meet when required. In 2018, nine board meetings were held and the following absentees were noted:

Ingrid Jonasson Blank 1 time absent

Hemming Van 1 time absent

The Board of Directors has established the following committees:

Nomination and Remuneration Committee

The committee consists of the Chairman and the Deputy Chairman of the Board of Directors. In 2018, the primary activities of the committee were the preparation of the annual evaluation of the Board of Directors, the selection and nomination of potential new candidates for the Board of Directors, the overall succession planning of the Board of Directors and the Executive Board as well as the assessment and recommendation of remuneration of the Board of Directors and the Executive Board. The committee held nine meetings in 2018.

Audit Committee

Until August 2018, the collective Board of Directors had undertaken the Audit Committee tasks jointly. This should be viewed in light of the Company's size and complexity until then. In the light of the growth of the company and in the context of increasing demands on reporting, governance and compliance, it was decided to install an Audit Committee. Hence, Royal Unibrew now complies with recommendation 3.4 from the Committee on Corporate Governance. The committee consists of a Chairman (Lars Vestergaard) and a member (Christian Sagild). It is the Audit Committee's objective to secure quality and integrity in the Company's presentation of Financial Statements, audit and financial reporting. Further, the Audit Committee monitors accounting and reporting processes, the audit of the Company's financial reporting, risk issues and the external auditor's performance and independence.

Moreover, the Audit Committee will assess and recommend to the Board of Directors re-election of external auditors. 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. The committee held one meeting in 2018.

Evaluation of the work of the Board of Directors

Evaluation of the work of the Board of Directors takes place annually. 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 facilitated 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.

Going forward, the Board of Directors has decided to have an external consultant involved in the evaluation at least every third year.

Both the performance of the Executive Board and the cooperation between the Board of Directors and the Executive Board are evaluated annually as a minimum.

Composition of the Board of Directors

When composing the Board of Directors, we emphasize that the members have the competences required. The Board of Directors assesses its composition annually, 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 and credentials are described in the below section on the Board of Directors and the Executive Board. In the section above on the Board of Directors' resolutions and proposed resolutions for the AGM is a description of the qualifications relating to the two candidates for the Board of Directors that will be proposed for election by the Annual General Meeting. During the year 2018 an exceptional five new Board members were elected, two thereof by the Denmark based employees and three were elected by the shareholders during the 2018 Annual General Meeting. Upon their election, the new Board members are introduced to the company through a focused program.

At present, the Board of Directors consists of seven members elected by the General Meeting and three 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.

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

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. Further, it is recommended to disclose a remuneration report on the company's website.

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. For detailed information on the Remuneration Policy of the Board of Directors and the Executive Management, we refer to pages 43 and 44 of this Annual Report as well as 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.

Whistleblower scheme (recommendation 5.2):

The Committee recommends the Board of Directors to establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrong doing.

As part of Royal Unibrew's Ethics Policy, employees have been given the opportunity to report violations or suspicion of violations confidentially to the Legal Department.