

Danish Recommendations on Corporate Governance

Carlsberg A/S

2021

What can the template be used for?

This template is meant as a tool for Danish companies with shares admitted to trading on a regulated market who wish to report on the company's compliance with the recommendations on corporate governance in a standard reporting format.

Companies shall not consider compliance with the introductory principles. The principles seek to explain general reflections which companies may take into account when assessing which approach to take in respect of the individual recommendations under each section. The Committee's explanatory notes provided under some of the recommendations may be included as guidelines and inspiration for companies in implementing the recommendations. In this connection the explanatory notes are meant as a tool. Reporting on the Danish Committee's Recommendations on Corporate Governance must be made in relation to the recommendations – and not the principles or explanatory notes.

The report on corporate governance must be published as either part of the management commentary on the annual report or on the company's website with exact reference to the management commentary. The Committee believes that publication of the corporate governance report on the company's website - with exact reference to the report in the management commentary - creates the highest degree of transparency. Publication of the report on the company's website provides easier access for investors and other stakeholders.

Under the Danish Financial Statements Act a publication on the company's website requires that the URL address – where the corporate governance report is published – is stated in the management commentary in the annual report. The URL address must be the internet address which can be used to access the report **directly**.

There are further requirements to the preparation of the report on corporate governance and how it is to be published. The detailed requirements are described in Executive order no. 959 of 13 September 2019 on Publication of Reports pursuant to the Danish Financial Statements Act.

Notice: The template below contains the recommendations of the Danish Committee on Corporate Governance of 2 December 2020. The recommendations are available on the website of the Danish Committee on Corporate Governance, [corporategovernance.dk](https://www.corporategovernance.dk). Nasdaq Copenhagen A/S has decided to include the recommendations in the Nordic Main Market Rulebook for Issuers of Shares effective from 4 January 2021.

This template may be used for the preparation of the report on corporate governance in annual reports concerning financial years commencing 1 January 2021 or later.

Reporting and the comply or explain approach

It is stated in section 107 b of the Danish Financial Statements Act that a company with shares admitted to trading on a regulated market must include a report on corporate governance in the management commentary of the annual report.

This means that each company in the corporate governance statement must give an account of which recommendations the company has chosen to comply with and which ones they have not, regardless of whether complied with or deviated from the recommendation.

If a company deviates from parts of the recommendations, the company has to explain the reasons for the deviations, cf. section 107 b (1) (iii) of the Danish Financial Statements Act. The company has to explain why it has chosen not to comply with a recommendation and what it has chosen to do instead.

A company may thus be compliant if the company instead of complying with a recommendation explains the above mentioned.

Note that the reporting must reflect the company's position at the time of publication of the annual report. However, any significant changes that occurred after the completion of the company's accounts, but before the publication of the annual report, should be included in the corporate governance statement.

In order to create the transparency necessary for investors and other stakeholders, the company must respond to each recommendation and provide information on whether the company complies with the recommendation in question.

Statutory report on corporate governance, cf. section 107 b of the Danish Financial Statements Act.

Notice!

The report constitutes a part of the management commentary on the annual report concerning the financial year: 2021

Danish Recommendations on Corporate Governance

Recommendation	The company <u>complies</u>	The company <u>explains</u> ¹	
		<i>why</i>	<i>how</i>
1. Interaction with the company's shareholders, investors and other stakeholders			
1.1. Communication with the company's shareholders, investors and other stakeholders			
<p>1.1.1. The Committee recommends that the management through ongoing dialogue and interaction ensures that shareholders, investors and other stakeholders gain the relevant insight into the company's affairs, and that the board of directors obtains the possibility of hearing and including their views in its work.</p>	X		<p>Carlsberg aims at providing information and opportunities for dialogue to its shareholders through regular publication of news, interim reports, annual reports and general meetings.</p> <p>Carlsberg has an Investor Relations department that assists the Executive Board with its regular meetings and teleconferences with investors and analysts in and outside Denmark. Carlsberg has a separate section for investor information on its website where it provides comprehensive current and historical information about financial and operational issues and where all information</p>

¹ If the company does not comply with a recommendation, the company must specifically explain; *why* the company has decided not to comply with the recommendation, and *which* approach the company has chosen instead. A comprehensive explanation answers both questions and is considered as compliant. Thus, it is important that the company answers both questions in its explanation.

Recommendation

The company complies

The company explains¹

why

how

			<p>announced to the market is easily and readily available. Everyone can sign up on Carlsberg's investor portal to receive regular information from the company. Further, the Investor Relations department meets with proxy advisors to exchange views and in order for both Carlsberg and its stakeholders to gain a deeper understanding of each other.</p> <p>From time to time, the Chairship and the Remuneration Committee Chair meet with major shareholders to discuss specific matters raised by the shareholders.</p> <p>Due to Covid-19, most shareholder meetings have been conducted digitally, which has worked to the satisfaction of all parties, given the circumstances.</p>
<p>1.1.2. The Committee recommends that the company adopts policies on the company's relationships with its shareholders, investors and if relevant other stakeholders in order to ensure that the various interests</p>	<p>X</p>		<p>Carlsberg has adopted an Investor Relations Policy which is available on the company's website.</p>

Recommendation	The company <u>complies</u>		The company <u>explains</u> ¹	
			<i>why</i>	<i>how</i>
are included in the company's considerations and that such policies are made available on the company's website.				
1.1.3. The Committee recommends that the company publishes quarterly reports.			Carlsberg finds that half-year reporting is more appropriate due to the seasonality of its business and that Carlsberg historically has seen high volatility in quarterly earnings and margins as a result of phasing of costs. Carlsberg considers the high volatility as potentially misleading for the understanding of the underlying Group performance. For these reasons, Carlsberg finds half-yearly reporting more appropriate.	Carlsberg published quarterly reports in 2021 on 5 February (full year 2020) and on 18 August (1st half year) and trading statements on 28 April May (Q1) and on 28 October (Q3).
1.2. The general meeting				
1.2.1. The Committee recommends that the board of directors organises the company's general meeting in a manner that allows shareholders, who are unable to attend the meeting in person or are represented by proxy at the general meeting, to vote and raise questions to the management prior to or at the general meeting. The Committee recommends that the board of directors ensures that shareholders can observe the general meeting via webcast or other digital transmission.		X		The Supervisory Board and the Executive Board promote active ownership, including shareholders' attendance at general meetings <ul style="list-style-type: none"> • by announcing well in advance the date of the general meeting on its website;

Recommendation	The company <u>complies</u>	The company <u>explains</u> ¹	
		<i>why</i>	<i>how</i>
			<ul style="list-style-type: none"> • by distributing invitations to shareholders to general meetings to all shareholders either directly or through information on the company's website and through announcements on Nasdaq Copenhagen, and • by informing shareholders of their right to ask questions and submit proposals for the general meeting. <p>In 2021, Carlsberg was due to the Covid-19 restrictions forced to conduct the 2021 AGM virtually, thereby allowing participation of all shareholders.</p>
<p>1.2.2. The Committee recommends that proxies and postal votes to be used at the general meeting enable the shareholders to consider each individual item on the agenda.</p>	X		<p>The proxies used for the general meeting generally allow shareholders to consider each individual item on the agenda. This was also the case with regard to the proxy for the Annual General Meeting in 2021.</p>

Recommendation

**The company
complies**

The company explains¹

why

how

1.3. Takeover bids

1.3.1. The Committee recommends that the company has a procedure in place in the event of takeover bids, containing a “road map” covering matters for the board of directors to consider in the event of a takeover bid, or if the board of directors obtains reasonable grounds to suspect that a takeover bid may be submitted. In addition, it is recommended that it appears from the procedure that the board of directors abstains from countering any takeover bids by taking actions that seek to prevent the shareholders from deciding on the takeover bid, without the approval of the general meeting.

X

The Supervisory Board of Carlsberg has a Takeover Manual with procedures and guidance in the event of a takeover offer. According to the Takeover Manual, the Supervisory Board is not at any time entitled to take any steps that in reality prevents that a future takeover offer is presented to the shareholders at a General Meeting. The Supervisory Board will, in the event of a takeover offer, consider specifically the best interest of all shareholders (and more widely of the company) before it decides whether or not to present an offer to the shareholders.

Carlsberg's articles of association do not contain any provisions that limit ownership or voting rights or that make it possible for the Supervisory Board generally to prevent takeover bids.

Recommendation

The company complies

The company explains¹

why

how

Carlsberg's Supervisory Board will consider a potential bid to take over the company's shares in accordance with applicable legislation and the Takeover Manual. Carlsberg's principal shareholder, the Carlsberg Foundation, is obliged to hold at least 51% of the votes of the share capital of Carlsberg A/S according to its charter.

1.4. Corporate Social Responsibility

1.4.1. The Committee recommends that the board of directors adopts a policy for the company's corporate social responsibility, including social responsibility and sustainability, and that the policy is available in the management commentary and/or on the company's website. The Committee recommends that the board of directors ensures compliance with the policy.

Corporate social responsibility is a broad and many-faceted area. Rather than attempting to cover all the different and diverse aspects of corporate social responsibility in one policy, Carlsberg has developed specific policies for each of the respective areas:

- Environment
- Health & Safety
- Marketing Communication
- Human rights
- Diversity & Inclusion
- Ethics, conduct, anti-bribery & corruption.

[Environment policy](#) – aims to prevent and control potential risks to the environment, supported by ambitious targets in Carlsberg's ESG programme Together Towards Zero.

[Human rights policy](#) – aims to communicate Carlsberg's commitment to respecting human rights in line with the UN Guiding Principles on Business and Human Rights, and to provide guidance to employees on appropriate behaviour with regards to labour and human rights issues.

Recommendation

The company complies

The company explains¹

why

how

		<p>- Supplier & Licensee Code of Conduct</p> <p>All Corporate social responsibility related Policies available here.</p>	<p>Marketing Communications policy – provides the eight principles we apply to ensure that Carlsberg marketing aligns with the company’s high standards as a responsible brewer.</p> <p>Health & Safety policy – aims to set forth the fundamental requirements for the management of Health & Safety performance in all Carlsberg Group’s business activities, thereby eliminating or mitigating risks in order to prevent occupational injuries and illnesses, avoid industrial accidents, and to protect the people in the communities in which we operate</p> <p>Diversity & inclusion policy – aims to describe Carlsberg’s commitment to D&I, including specific ambitions and approach.</p>
--	--	--	--

Recommendation

The company complies

The company explains¹

why

how

			<p>Living by our Compass programme – provides detailed guidance on ethical behaviour and emphasises the importance of integrity at all levels of the Carlsberg organisation. Further policies on ethics, conduct, anti-bribery & corruption available here.</p> <p>Supplier & Licensee Code of Conduct – Describes the standards all Carlsberg suppliers must comply with and further commit to extending these standards to their own suppliers too. The code covers topics related to business ethics, labour and human rights, health and safety, and environmental sustainability.</p>
<p>1.4.2. The Committee recommends that the board of directors adopts a tax policy to be made available on the company’s website.</p>	<p>X</p>		<p>The Carlsberg Group’s Tax Policy is approved by the Supervisory Board and available here.</p>

2. The duties and responsibilities of the board of directors

2.1. Overall tasks and responsibilities

Recommendation	The company <u>complies</u>	The company <u>explains</u> ¹	
		<i>why</i>	<i>how</i>
<p>2.1.1. The Committee recommends that the board of directors in support of the company's statutory objects according to its articles of association and the long-term value creation considers the company's purpose and ensures and promotes a good culture and sound values in the company. The company should provide an account thereof in the management commentary and/or on the company's website.</p>	X		<p>The Supervisory Board continuously considers as part of its general work and in connection with its strategy reviews, Carlsberg's purpose, strategy, value and culture and ensures that these are sound and in line with the company's heritage and original purpose as set out by its founder J.C Jacobsen. The annual report includes an account of the Group's purpose of brewing for a better today and tomorrow.</p>
<p>2.1.2. The Committee recommends that the board of directors at least once a year discusses and on a regular basis follows up on the company's overall strategic targets in order to ensure the value creation in the company.</p>	X		<p>The Supervisory Board has discussed Carlsberg's strategy SAIL'22 and Carlsberg's overall organisation continuously and in particular in dedicated annual strategy seminars. In 2021, in addition to following up and reviewing SAIL'22, focus was particularly on developing the new strategy SAIL'27 which the company aims to launch in 2022.</p>
<p>2.1.3. The Committee recommends that the board of directors on a continuously basis takes steps to examine whether the company's share and capital structure supports the strategy and the long-term value</p>	X		<p>The Supervisory Board regularly assesses whether the company's capital and share structures fulfil the interests of</p>

Recommendation

The company complies

The company explains¹

why

how

creation in the interest of the company as well as the shareholders. The Committee recommends that the company gives an account thereof in the management commentary.

the Carlsberg Group and its shareholders and supports the long-term profitable growth and development of the business. This assessment is accounted for in the Annual Report.

2.1.4. The Committee recommends that the board of directors prepares and, on an annual basis, review guidelines for the executive management, including requirements in respect of the reporting to the board of directors.

X

The Supervisory Board supervises the work of the Executive Board and has as part of its Rules of Procedures issued Guidelines for the Executive Board. These Guidelines (together with the Rules of Procedure for the Supervisory Board) are considered by the Supervisory Board approximately once a year.

The Rules of Procedure for the Supervisory Board and the Guidelines for the Executive Board jointly set out the overall duties and obligations of the Executive Board, procedures for the Executive Board's reporting to the Supervisory Board and for other communication and decision processes between the two bodies.

Recommendation

**The company
complies**

The company explains¹

why

how

2.2. Members of the board of directors

<p>2.2.1. The Committee recommends that the board of directors, in addition to a chairperson, appoints a vice chairperson, who can step in if the chairperson is absent and who can generally act as the chairperson’s close sparring partner.</p>	<p>X</p>		<p>The Supervisory Board has appointed a deputy chair who acts in the chair’s absence and as an effective sounding board for the chair. The Rules of Procedure for the Supervisory Board set out tasks etc. for the chair and, in his/her absence, the deputy chair. The chair and the deputy chair form the chairship of the company who prepares Supervisory Board meetings together with the Executive Board in accordance with an annual meeting plan.</p>
<p>2.2.2. The Committee recommends that the chairperson in cooperation with the individual members of the board of directors ensures that the members up-date and supplement their knowledge of relevant matters, and that the members’ special knowledge and qualifications are applied in the best possible manner.</p>	<p>X</p>		<p>As part of the annual board evaluation and 1:1 conversation with the chair/deputy chair, each Supervisory Board member is asked to consider and discuss with the chairship their competencies and contribution to the Board meetings and Board work, and whether there are any areas or competencies in need of development. Further, the</p>

Recommendation	The company <u>complies</u>	The company <u>explains</u> ¹	
		<i>why</i>	<i>how</i>
			Supervisory Board is regularly supplied with relevant updates on Carlsberg and its industry and sector.
<p>2.2.3. The Committee recommends that if the board of directors, in exceptional cases, requests a member of the board of directors to take on special duties for the company, for instance, for a short period to take part in the daily management of the company, the board of directors should approve this in order to ensure that the board of directors maintains its independent overall management and control function. It is recommended that the company publishes any decision on allowing a member of the board of directors to take part in the daily management, including the expected duration thereof.</p>	X		No member of the Supervisory Board participates in the day-to-day management of the company and does not carry out other tasks for the company than handling the task as board members. There were no exceptions to this in 2021.
<p>3. The composition, organisation and evaluation of the board of directors</p> <p>3.1. Composition</p>			
<p>3.1.1. The Committee recommends that the board of directors on an annual basis reviews and in the management commentary and/or on the company's website states</p> <ul style="list-style-type: none"> • which qualifications the board of directors should possess, collectively and individually, in order to perform its duties in the best possible manner, and • the composition of and diversity on the board of directors. 	X		In accordance with its annual plan, the Supervisory Board once a year (on the basis of a recommendation from the Nomination Committee) considers the skills that should be represented on the board and takes this into consideration when preparing proposals for new candidates for the Supervisory Board. A

Recommendation

**The company
complies**

The company explains¹

why

how

			<p>"Specification of Competencies required for the Supervisory Board in Carlsberg A/S" has been developed by the Supervisory Board, is reviewed annually and made available on Carlsberg's website.</p> <p>The Annual Report and Carlsberg's website contain a section describing the composition of the Supervisory Board and also detailed information about each Supervisory Board member.</p>
--	--	--	---

Recommendation

**The company
complies**

The company explains¹

why

how

<p>3.1.2. The Committee recommends that the board of directors on an annual basis discusses the company’s activities in order to ensure relevant diversity at the different management levels of the company and adopts a diversity policy, which is included in the management commentary and/or available on the company’s website.</p>	<p>X</p>		<p>The Supervisory Board continuously discusses the company’s activities to ensure diversity at relevant management levels. The Supervisory Board has established objectives for diversity at the Supervisory Board level and in the annual report accounts for the objectives and the progress made. The Supervisory Board has reviewed and approved a Diversity & Inclusion policy which is published on the company’s website.</p> <p>The company’s actions and plans to increase the number of the underrepresented gender (in this case women) in senior management positions in the company is explained in more details in the Sustainability Report.</p>
<p>3.1.3. The committee recommends that candidates for the board of directors are recruited based on a thorough process approved by the board of directors. The Committee recommends that in assessing candidates for the board of directors – in addition to individual</p>	<p>X</p>		<p>The recruitment of candidates for the Supervisory Board is headed by the chairship and Nomination Committee and takes place by way of a</p>

Recommendation	The company <u>complies</u>		The company <u>explains</u> ¹	
			<i>why</i>	<i>how</i>
competencies and qualifications – the need for continuity, renewal and diversity is also considered.				thorough process and in alignment with the Supervisory Board whereby competencies, qualifications, continuity, renewal, culture fit, diversity and other relevant aspects are considered.
<p>3.1.4. The Committee recommends that the notice convening general meetings, where election of members to the board of directors is on the agenda - in addition to the statutory items - also includes a description of the proposed candidates'</p> <ul style="list-style-type: none"> • qualifications, • other managerial duties in commercial undertakings, including board committees, • demanding organisational assignments and • independence. 		X		<p>Carlsberg's notices of a general meeting include the recommended information about the candidates for the Supervisory Board in relation to both new candidates and candidates that are proposed for re-election.</p> <p>Carlsberg lists in the Annual Report and on its website whether each Supervisory Board member is considered independent.</p>
<p>3.1.5. The Committee recommends that members to the board of directors elected by the general meeting stand for election every year at the annual general meeting, and that the members are nominated and elected individually.</p>		X		<p>According to the Company's Articles of Association, section 27(3), Supervisory Board members are elected for one year at a time. Re-election is possible.</p>

Recommendation

The company complies

The company explains¹

why

how

3.2. The board of director's independence

3.2.1. The Committee recommends that at least half of the members of the board of directors elected in general meeting are independent in order for the board of directors to be able to act independently avoiding conflicts of interests.

In order to be independent, the member in question may not:

- be or within the past five years have been a member of the executive management or an executive employee in the company, a subsidiary or a group company,
- within the past five years have received large emoluments from the company/group, a subsidiary or a group company in another capacity than as member of the board of directors,
- represent or be associated with a controlling shareholder,
- within the past year have had a business relationship (e.g. personally or indirectly as a partner or an employee, shareholder, customer, supplier or member of a governing body in companies with similar relations) with the company, a subsidiary or a group company, which is significant for the company and/or the business relationship,
- be or within the past three years have been employed with or a partner in the same company as the company's auditor elected in general meeting,
- be a CEO in a company with cross-memberships in the company's management,
- have been a member of the board of directors for more than twelve years, or

Five of the ten members of Carlsberg's Supervisory Board elected by the Annual General Meeting have close links to Carlsberg's main shareholder, the Carlsberg Foundation as they make up the Foundation's Board. In 2021, the Foundation announced that as of AGM 2023 only two members of the Foundation board will be proposed as candidates for the Carlsberg Group Board. One candidate will be the Chair of the Carlsberg Foundation, who is intended to become Deputy Chair of the Carlsberg Group Supervisory Board, while the other candidate will be elected from and by the Foundation board based on relevant competencies in relation to the Carlsberg Group Board.

The other five members elected by the general meeting have an international business

Currently, 4 of the 10 AGM elected Board members are considered independent.

Recommendation

The company complies

The company explains¹

why

how

- be closely related to persons, who are not independent, cf. the above-stated criteria.

Even if a member of the board of directors does not fall within the above-stated criteria, the board of directors may for other reasons decide that the member in question is not independent.

background. These five members with an international business background are all independent as defined in the recommendations, save for Richard Burrows who as per the AGM 2021 is no longer considered independent as he was first appointed in 2009 and thus has a tenure on the Board of more than 12 years. Richard Burrows is considered a very valuable contributor on the Board given his great experience as a business leader in the drinks and FMCG industry and also due to his thorough knowledge of Carlsberg.

3.2.2. The Committee recommends that members of the executive management are not members of the board of directors and that members retiring from the executive management does not join the board of directors immediately thereafter.

X

No member of Carlsberg’s executive board is member of the Supervisory Board.
Carlsberg has not had nor does Carlsberg plan to have a resigning CEO directly elected as chair or deputy chair.

Recommendation

The company complies

The company explains¹

why

how

3.3. Members of the board of directors and the number of other managerial duties

<p>3.3.1. The Committee recommends that the board of directors and each of the members on the board of directors, in connection with the annual evaluation, cf. recommendation 3.5.1., assesses how much time is required to perform the board duties. The aim is for the individual member of the board of directors not to take on more managerial duties than the board member in question is able to perform in a satisfactory manner.</p>	<p>X</p>		<p>Each member of the Supervisory Board is responsible for assessing the expected time commitment for the functions they carry out to ensure that they each have the necessary time to carry out their tasks as board members in Carlsberg. This obligation is also set out in the Rules of Procedure and in a Letter of Appointment (a “board contract” setting out the fundamental duties of Supervisory Board members elected by the Annual General Meeting) which all Supervisory Board members have signed.</p>
<p>3.3.2. The Committee recommends that the management commentary, in addition to the statutory requirements, contains the following information on the individual members of the board of directors:</p> <ul style="list-style-type: none"> • position, age and gender, • competencies and qualifications relevant to the company, • independence, • year of joining the board of directors, • year of expiry of the current election period, 	<p>X</p>		<p>The Annual Report (and the Company’s website) contains this information in the section describing each member of the Supervisory Board.</p> <p>Carlsberg explains in the Annual Report and on its website which Supervisory Board members are considered independent/non-</p>

Recommendation

The company complies

The company explains¹

why

how

- participation in meetings of the board of directors and committee meetings,
- managerial duties in other commercial undertakings, including board committees, and demanding organisational assignments, and
- the number of shares, options, warrants, etc. that the member holds in the company and its group companies and any changes in such holdings during the financial year.

independent of Carlsberg as defined in the recommendations.

The 2021 Annual Report contains information about each Supervisory Board member's occupation and about all managerial positions and directorships at other companies as well as demanding organisational tasks, held by members of the Supervisory Board. Information on the individual holdings of shares in Carlsberg by Supervisory Board members is included in the remuneration report.

3.4. Board committees

- 3.4.1. The Committee recommends** that the management describes in the management commentary:
- the board committees' most significant activities and number of meetings in the past year, and
 - the members on the individual board committees, including the chairperson and the independence of the members of the committee in question.

X

This information is described in the corporate governance section of the annual report. The board committee terms of reference are available on the company's website.

Recommendation	The company <u>complies</u>		The company <u>explains</u> ¹	
			<i>why</i>	<i>how</i>
In addition, it is recommended that the board committees' terms of reference are published on the company's website.				
3.4.2. The Committee recommends that board committees solely consist of members of the board of directors and that the majority of the members of the board committees are independent.			Richard Burrows was up until the annual general meeting 2021 an independent board member but due to his tenure of more than 12 years as per the AGM 2021 he is no longer seen as an independent director as per the definition in the recommendations. Richard Burrows' contribution remains highly valuable and the company and the Board has not found reason to change the composition of the Nomination Committee.	In 2021, that board committees solely consist of members of the board of directors. Three of the four Audit Committee members were independent in accordance with the criteria set out in the recommendations, two of the four members of the Remuneration Committee were independent while two of the five members of the Nomination Committee are independent. This composition is due to the Foundation ownership.
3.4.3. The Committee recommends that the board of directors establishes an audit committee and appoints a chairperson of the audit committee, who is not the chairperson of the board of directors. The Committee recommends that the audit committee, in addition to its statutory duties, assists the board of directors in: <ul style="list-style-type: none"> • supervising the correctness of the published financial information, including accounting practices in significant areas, significant accounting estimates and related party transactions, • reviewing internal control and risk areas in order to ensure management of significant risks, including in relation to the announced financial outlook, 		X		The Supervisory Board established an Audit Committee in 2009. The Audit Committee is appointed for one year at a time. In 2021, Carlsberg's Audit Committee had four members. In 2021 the Audit Committee fulfilled all tasks set out in the Recommendation and in its terms of reference. The work of the committee during 2021 is

Recommendation

The company complies

The company explains¹

why

how

- assessing the need for internal audit,
- performing the evaluation of the auditor elected by the general meeting,
- reviewing the auditor fee for the auditor elected by the general meeting,
- supervising the scope of the non-audit services performed by the auditor elected by the general meeting, and
- ensuring regular interaction between the auditor elected by the general meeting and the board of directors, for instance, that the board of directors and the audit committee at least once a year meet with the auditor without the executive management being present.

If the board of directors, based on a recommendation from the audit committee, decides to set up an internal audit function, the audit committee must:

- prepare terms of reference and recommendations on the nomination, employment and dismissal of the head of the internal audit function and on the budget for the department,
- ensure that the internal audit function has sufficient resources and competencies to perform its role, and
- supervise the executive management’s follow-up on the conclusions and recommendations of the internal audit function.

described in the Annual Report (the Corporate Governance section).

Carlsberg has established an internal audit function and the recommendations regarding audit committee’s obligations in relation to the internal audit function is reflected in the audit committee’s terms of reference.

The head of the internal audit function participates in all Audit Committee meetings and reports to the Audit Committee on all significant matters, including the executive board’s follow-up on the conclusions and recommendations of the internal audit function. Once a year, the Audit Committee evaluates the internal audit function and monitors that it has adequate resources and competencies.

Recommendation

The company complies

The company explains¹

why

how

3.4.4. The Committee recommends that the board of directors establishes a nomination committee to perform at least the following preparatory tasks:

- describing the required qualifications for a given member of the board of directors and the executive management, the estimated time required for performing the duties of this member of the board of directors and the competencies, knowledge and experience that is or should be represented in the two management bodies,
- on an annual basis evaluating the board of directors and the executive management’s structure, size, composition and results and preparing recommendations for the board of directors for any changes,
- in cooperation with the chairperson handling the annual evaluation of the board of directors and assessing the individual management members’ competencies, knowledge, experience and succession as well as reporting on it to the board of directors,
- handling the recruitment of new members to the board of directors and the executive management and nominating candidates for the board of directors' approval,
- ensuring that a succession plan for the executive management is in place,
- supervising executive managements’ policy for the engagement of executive employees, and
- supervising the preparation of a diversity policy for the board of directors’ approval.

X

The Supervisory Board has a Nomination Committee that works in accordance with Terms of Reference set out by the Supervisory Board. The Terms of Reference are available on the company's website and the duties of the committee covers the recommended tasks.

The work of the committee during 2021 is described in the Annual Report (the Corporate Governance section).

Recommendation

The company complies

The company explains¹

why

how

3.4.5. The Committee recommends that the board of directors establishes a remuneration committee to perform at least the following preparatory tasks:

- preparing a draft remuneration policy for the board of directors' approval prior to the presentation at the general meeting,
- providing a proposal to the board of directors on the remuneration of the members of the executive management,
- providing a proposal to the board of directors on the remuneration of the board of directors prior to the presentation at the general meeting,
- ensuring that the management's actual remuneration complies with the company's remuneration policy and the evaluation of the individual member's performance, and
- assisting in the preparation of the annual remuneration report for the board of directors' approval prior to the presentation for the general meeting's advisory vote.

X

The Supervisory Board has a Remuneration Committee, which works in accordance with Terms of Reference set out by the Supervisory Board. The Terms of Reference are available on the Company's website and the duties of the committee covers the recommended tasks.

The work of the committee during 2021 is described in the Remuneration Report.

3.5. Evaluation of the board of directors and the executive management

3.5.1. The Committee recommends that the board of directors once a year evaluates the board of directors and at least every three years engages external assistance in the evaluation. The Committee recommends that the evaluation focuses on the recommendations on the board of directors' work, efficiency, composition and organisation, cf. recommendations 3.1.-3.4. above, and that the evaluation as a minimum always includes the following topics:

- the composition of the board of directors with focus on competencies and diversity

The company has a robust procedure in place for the annual board evaluation, headed by the Chair and Deputy Chair and in 2021, the Supervisory Board assessed that the time was not right to engage external assistance for the evaluation due to the continued physical challenges posed by COVID-19.

The evaluation process takes place in accordance with written procedures established by the Supervisory Board on the basis of a recommendation from the Nomination Committee. The process consists of a comprehensive questionnaire which board members fill in ahead of a 1:1 conversation

Recommendation

**The company
complies**

The company explains¹

why

how

- the board of directors and the individual member’s contribution and results,
- the cooperation on the board of directors and between the board of directors and the executive management,
- the chairperson’s leadership of the board of directors,
- the committee structure and the work in the committees,
- the organisation of the work of the board of directors and the quality of the material provided to the board of directors, and
- the board members’ preparation for and active participation in the meetings of the board of directors.

with the Chair and the Deputy Chair, covering the recommended topics. The questionnaire has been used for a number of years which allows for tracking of development and progress. On this basis, a report is prepared including observations and conclusions from current year’s evaluation as well as recommendations from last year’s evaluation and how they have been met. The report sets the starting point for a discussion in a Supervisory Board meeting on the Supervisory Board’s performance and related topics. Finally, the evaluation process includes a meeting without the Chair (headed by the deputy Chair) at which the performance of the Chair is discussed.

On the basis of a recommendation from the Nomination Committee, the Supervisory Board considers regularly and at least once a

Recommendation	The company <u>complies</u>	The company <u>explains</u> ¹	
		<i>why</i>	<i>how</i>
			year in connection with the annual evaluation of the Supervisory Board, if there are areas where members' expertise and skills need to be updated and whether the Supervisory Board's Specification of Competencies should be updated.
3.5.2. The Committee recommends that the entire board of directors discusses the result of the evaluation of the board of directors and that the procedure for the evaluation and the general conclusions of the evaluation are described in the management commentary, on the company's website and at the company's general meeting.	X		Once a year, at the December meeting, the Supervisory Board discusses the evaluation report and its conclusions, which are described in general terms in the management commentary, on the company's website and at the company's general meeting.
3.5.3. The Committee recommends that the board of directors at least once a year evaluates the work and results of the executive management according to pre-established criteria, and that the chairperson reviews the evaluation together with the executive management. In addition, the board of directors should on a continuous basis assess the need for changes in the structure and composition of the executive management, including in respect of diversity, succession planning and risks, in light of the company's strategy.	X		The evaluation headed by the chair also includes an evaluation of the cooperation between the Supervisory Board and the Executive Board and the work, accomplishments and composition of the Executive Board. The process includes a Supervisory Board meeting without the presence of the Executive Board at which the performance of and

Recommendation

The company complies

The company explains¹

why

how

			<p>cooperation with the Executive Board is discussed.</p> <p>The Supervisory Board continuously considers the appropriate composition of the executive committee, including the executive board, also with respect to diversity and succession planning.</p>
--	--	--	--

4. Remuneration of management

4.1. Remuneration of the board of directors and the executive management

<p>4.1.1. The Committee recommends that the remuneration for the board of directors and the executive management and the other terms of employment/service is considered competitive and consistent with the company's long-term shareholder interests.</p>	<p>X</p>		<p>The Supervisory Board continuously considers the remuneration as set out in the recommendation on the basis of advice from the Remuneration Committee. The Remuneration Report contains an account of the composition of the remuneration package, including the alignment with long-term shareholder interests.</p>
--	----------	--	---

Recommendation	The company <u>complies</u>		The company <u>explains</u> ¹	
			<i>why</i>	<i>how</i>
4.1.2. The Committee recommends that share-based incentive schemes are revolving, i.e. that they are periodically granted, and that they primarily consist of long-term schemes with a vesting or maturity period of at least three years.		X		The remuneration policy and incentive programme fulfil the recommendation.
4.1.3. The Committee recommends that the variable part of the remuneration has a cap at the time of grant, and that there is transparency in respect of the potential value at the time of exercise under pessimistic, expected and optimistic scenarios.		X		The remuneration policy and incentive programme fulfil the recommendation.
4.1.4. The Committee recommends that the overall value of the remuneration for the notice period, including severance payment, in connection with a member of the executive management's departure, does not exceed two years' remuneration including all remuneration elements.		X		The remuneration policy and incentive programme fulfil the recommendation.
4.1.5. The Committee recommends that members of the board of directors are not remunerated with share options and warrants.		X		The Supervisory Board members do not participate in any variable performance pay programme.
4.1.6. The Committee recommends that the company has the option to reclaim, in whole or in part, variable remuneration from the board of directors and the executive management if the remuneration granted, earned or paid was based on information, which subsequently proves to be incorrect, or if the recipient acted in bad faith in respect of other matters, which implied payment of a too large variable remuneration.		X		The Supervisory Board members do not participate in variable performance pay programme. The Remuneration Policy includes a claw back mechanism for executive management.

Recommendation

The company
complies

The company explains¹

why

how

5. Risk management

5.1. Identification of risks and openness in respect of additional information

<p>5.1.1. The Committee recommends that the board of directors based on the company's strategy and business model considers, for instance, the most significant strategic, business, accounting and liquidity risks. The company should in the management commentary give an account of these risks and the company's risk management.</p>	X		
<p>5.1.2. The Committee recommends that the board of directors establishes a whistleblower scheme, giving the employees and other stakeholders the opportunity to report serious violations or suspicion thereof in an expedient and confidential manner, and that a procedure is in place for handling such whistleblower cases.</p>	X		