

# Corporate Governance Statement 2022

H+H International A/S



# Statutory report on corporate governance for 2022, cf. section 107b of the Danish Financial Statements Act

This report forms part of the management's review in the annual report for 2022 for H+H International A/S. The sections below about governance structure and about financial controls and risk management structure 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 2022, whereas the other information in this corporate governance report is not covered by the auditors' report in H+H International A/S's annual report for 2022.

## Corporate governance structure

H+H International A/S is a Danish limited liability company with a two-tier management structure in which the Board of Directors and the Executive Board are separate and no members may hold dual membership of both. H+H International A/S is the ultimate parent company of the H+H Group.

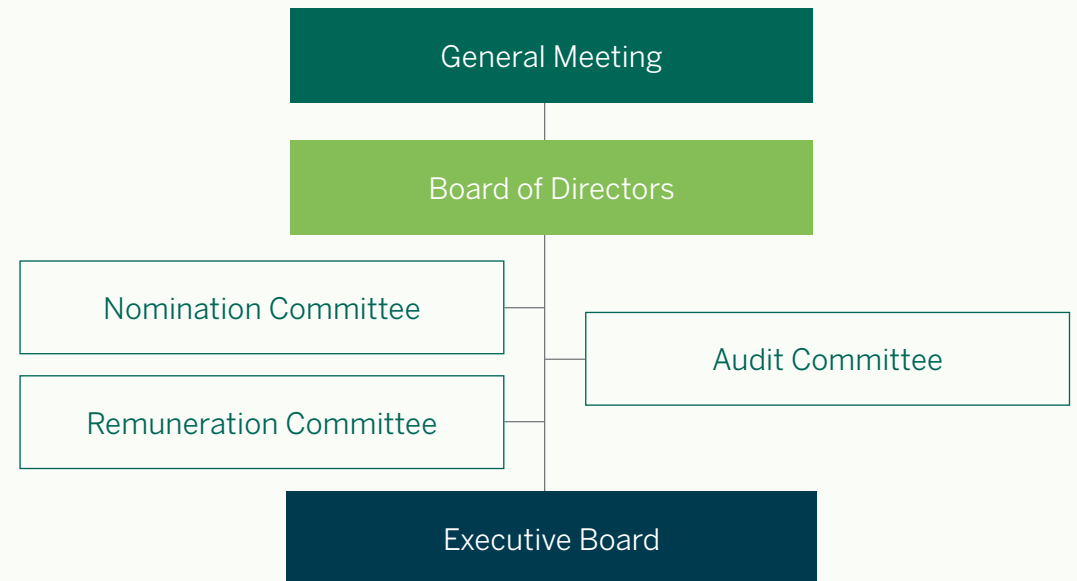
### General meeting

The general meeting is held at least once a year, and all shareholders registered in the share register may participate, submit proposals and vote and speak at the general meetings. The members of the Board of Directors are elected by the general meeting, except for board members being employee representatives, if any, since they are elected by the employees.

### Board of Directors

The Board of Directors of H+H International A/S is governed by the company's Articles of Association, the Companies Act and other EU or Danish legislation, and the Board of Directors is responsible for the overall management of and strategic direction for the Group, including:

- strategy planning
- appointing members of the Executive Board
- supervising the financial, environmental, social and governance activities
- reviewing the financial position and capital resources to ensure that these are adequate.



## Board committees

### Audit Committee

The main areas of responsibility for the Audit Committee are to:

- evaluate the external financial reporting and the data and metrics used in the sustainability reporting, significant accounting policies, significant accounting estimates and judgements related to certain items, including impairment testing, investments and divestments, deferred tax, as well as revenue and related customer receivables;
- review and monitor the Group's risk management, internal controls, and business integrity matters;
- monitor the Group's internal audit function, if any, and whistle-blower scheme and;
- monitor and consider the relationship with the independent auditors, review the audit process and the auditor's long-form audit report, and recommends on the appointment of auditors.

### Nomination Committee

The main areas of responsibility for the Nomination Committee are to:

- propose and help manage the annual board evaluation and evaluation of the Executive Board, including the size, structure, and composition of the Board of Directors and the Executive Board;
- recommend nomination or appointment of members of the Board of Directors and of the Executive Board; and
- assist in ensuring that appropriate plan and processes are in place for the nomination of candidates to the Board of Directors and the Executive Board.

### Remuneration Committee

The main areas of responsibility for the Remuneration Committee are to:

- annually evaluate the company's remuneration policy for the Board of Directors and the Executive Board and oversee drafting of the Remuneration Report; and
- evaluate and recommend the remuneration of the Board of Directors and the Executive Board as well as each regional director, and develop and annually review the group incentive programs (STIP and LTIP).

### Executive Board

The Executive Board currently consists of two members, i.e. the CEO and the CFO. The Executive Board is responsible for the day-to-day management, including:

- developing and implementing strategic initiatives and policies to execute on the strategy decided by the Board of Directors;
- developing the organisational structure;
- monitoring of the performance, both financially and non-financially;
- evaluating and executing on investments, acquisitions, and divestments;
- regularly assessing the capital structure and liquidity to ensure that these are adequate; and
- establishing procedures for accounting, the IT organisation, risk management, and internal controls.

**Financial controls and risk management structure**

**General governance**

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.

**Enterprise risk management structure**

The Enterprise Risk Management (ERM) structure below the Board of Director level is organised as three lines of defence (see figure below).

**Risk management**

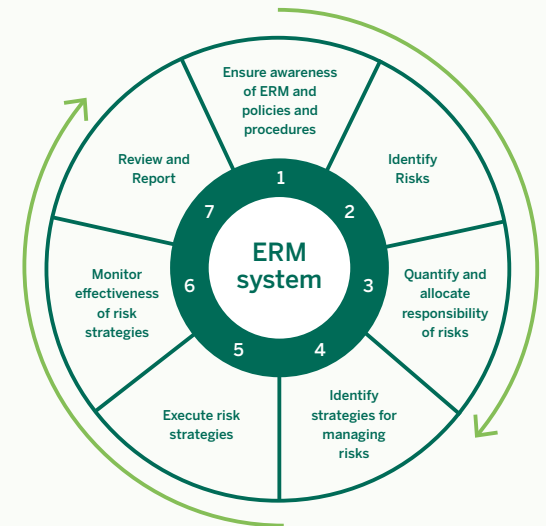
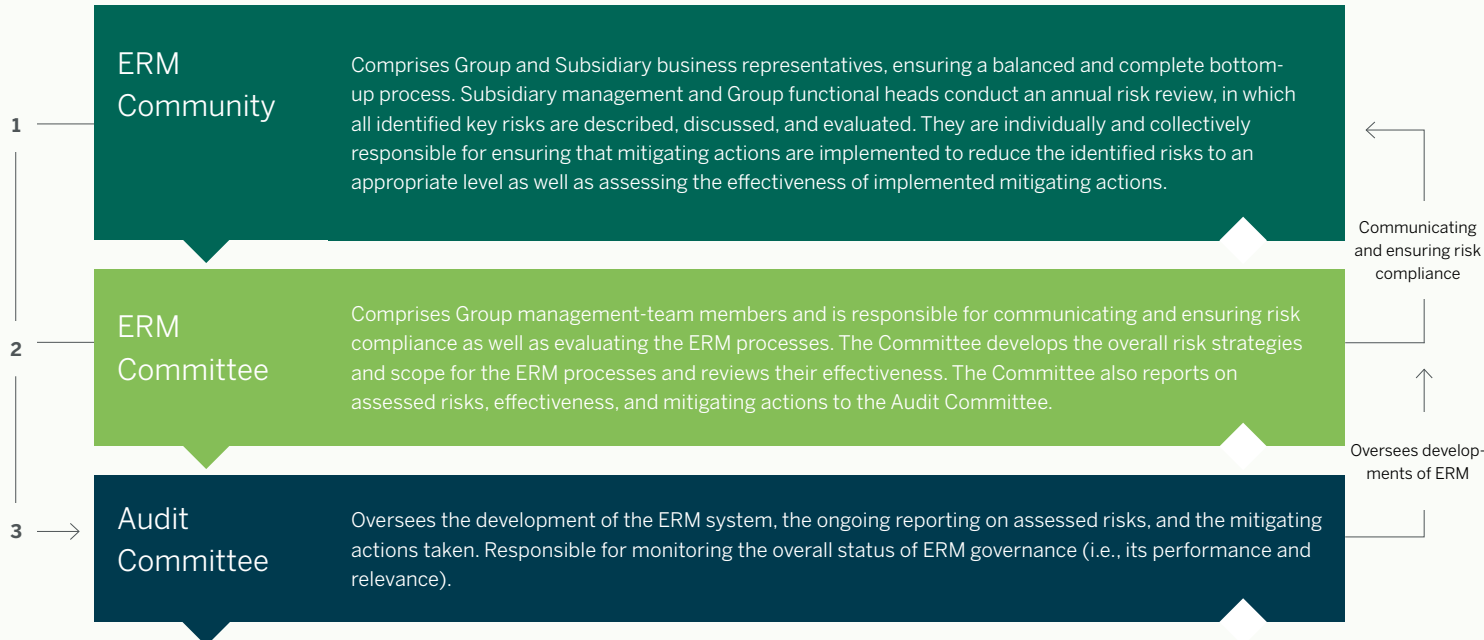
The Board of Directors evaluates the risk management processes on a continuous basis to ensure that the risk profile, risk processes and risk awareness are appropriate. Responsibility for the ERM effectiveness has been delegated to the Chief Financial Officer.

The ERM processes in H+H ensure a dynamic process, involving the identification of risks, an assessment

of probability and the potential impact on business performance, reputation, and people. The aim is to mitigate identified key risks to an acceptable level through appropriate ERM processes, but also to take advantage of identified opportunities.

ERM considerations are integrated into the Group strategy and local strategies to help safeguard the long-term targets of H+H.

**Three Lines of Defence**



### Financial 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 that H+H's 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, e.g. 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 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 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 financial risks 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, revisions to the H+H Financial Risk Management Policy are considered and implemented. 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. 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.

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 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.

### Corporate governance recommendations

Pursuant to section 107b of the Danish Financial Statements Act and Nasdaq's Nordic Main Market Rulebook for Issuers of Shares, H+H must state its compliance or non-compliance to the recommendations issued by the Danish Corporate Governance Committee. In case of non-compliance, H+H must also explain the reason for non-compliance and what is done instead. The recommendations are available at <https://corporategovernance.dk>.

H+H's position with regard to each recommendation is described in the remaining part of this report. The following symbols are used to describe compliance and non-compliance:

- Compliance
- Non-compliance

# Danish Recommendations on Corporate Governance

Recommendation	Compliance	Reason for non-compliance and what is done instead
<b>1. Interaction with the company's shareholders, investors and other stakeholders</b>		
1.1. Dialogue with shareholders, investors and other stakeholders		
<b>1.1.1. The Committee recommends</b> 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.	■	
<b>1.1.2. The Committee recommends</b> 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 are included in the company's considerations and that such policies are made available on the company's website.	■	
<b>1.1.3. The Committee recommends</b> that the company publishes quarterly reports.	■	
1.2. The general meeting		
<b>1.2.1. The Committee recommends</b> 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.	■	
<b>1.2.2. The Committee recommends</b> that proxies and postal votes to be used at the general meeting enable the shareholders to consider each individual item on the agenda.	■	

Recommendation	Compliance	Reason for non-compliance and what is done instead
1.3. Takeover bids		
<p><b>1.3.1. The Committee recommends</b> 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.</p>	■	
1.4. Corporate Social Responsibility		
<p><b>1.4.1. The Committee recommends</b> 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.</p>	■	
<p><b>1.4.2. The Committee recommends</b> that the board of directors adopts a tax policy to be made available on the company's website.</p>	■	
<b>2. The duties and responsibilities of the board of directors</b>		
2.1. Overall tasks and responsibilities		
<p><b>2.1.1. The Committee recommends</b> 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>	■	
<p><b>2.1.2. The Committee recommends</b> 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>	■	

Recommendation	Compliance	Reason for non-compliance and what is done instead
<p><b>2.1.3. The Committee recommends</b> 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 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.</p>	■	
<p><b>2.1.4. The Committee recommends</b> that the board of directors prepares and on an annual basis reviews guidelines for the executive management, including requirements in respect of the reporting to the board of directors.</p>	■	

## 2.2. Members of the board of directors

<p><b>2.2.1. The Committee recommends</b> 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>The Board of Directors has decided not to have a deputy chair. This decision is reconsidered at least twice a year in connection with the annual board evaluation and in connection with the constitution of the Board of Directors right after completion of the annual general meeting and its election of board members. Even though H+H has grown in market size mainly through acquisitions, it is so far been the belief that the board work can still be managed by the Chair of the Board of Directors. The Board has put in place procedures to ensure that the Board can function in case the Chair cannot attend meetings on a temporary basis.</p>
<p><b>2.2.2. The Committee recommends</b> 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><b>2.2.3. The Committee recommends</b> 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>	■	



Recommendation	Compliance	Reason for non-compliance and what is done instead
<b>3. The composition, organisation and evaluation of the board of directors</b>		
3.1. Composition		
<p><b>3.1.1. The Committee recommends</b> 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"> <li>• which qualifications the board of directors should possess, collectively and individually, in order to perform its duties in the best possible manner, and</li> <li>• the composition of and diversity on the board of directors.</li> </ul>	■	
<p><b>3.1.2. The Committee recommends</b> 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><b>3.1.3. The Committee recommends</b> 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 competencies and qualifications – the need for continuity, renewal and diversity is also considered.</p>	■	
<p><b>3.1.4. The Committee recommends</b> 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"> <li>• qualifications,</li> <li>• other managerial duties in commercial undertakings, including board committees,</li> <li>• demanding organisational assignments and</li> <li>• independence.</li> </ul>	■	
<p><b>3.1.5. The Committee recommends</b> 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>	■	

Recommendation	Compliance	Reason for non-compliance and what is done instead
<p>3.2. The board of directors' independence</p> <p><b>3.2.1. The Committee recommends</b> 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.</p> <p>In order to be independent, the member in question may not:</p> <ul style="list-style-type: none"> <li>• 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,</li> <li>• 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,</li> <li>• represent or be associated with a controlling shareholder,</li> <li>• 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,</li> <li>• 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,</li> <li>• be a CEO in a company with cross-memberships in the company's management,</li> <li>• have been a member of the board of directors for more than twelve years, or</li> <li>• be closely related to persons, who are not independent, cf. the above-stated criteria.</li> </ul> <p>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.</p>	■	
<p><b>3.2.2. The Committee recommends</b> 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.</p>	■	

Recommendation	Compliance	Reason for non-compliance and what is done instead
3.3. Members of the board of directors and the number of other managerial duties		
<p><b>3.3.1. The Committee recommends</b> 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><b>3.3.2. The Committee recommends</b> 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"> <li>• position, age and gender,</li> <li>• competencies and qualifications relevant to the company,</li> <li>• independence,</li> <li>• year of joining the board of directors,</li> <li>• year of expiry of the current election period,</li> <li>• participation in meetings of the board of directors and committee meetings,</li> <li>• managerial duties in other commercial undertakings, including board committees, and demanding organisational assignments, and</li> <li>• 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.</li> </ul>	■	
3.4. Board committees		
<p><b>3.4.1. The Committee recommends</b> that the management describes in the management commentary:</p> <ul style="list-style-type: none"> <li>• the board committees' most significant activities and number of meetings in the past year, and</li> <li>• the members on the individual board committees, including the chairperson and the independence of the members of the committee in question.</li> </ul> <p>In addition, it is recommended that the board committees' terms of reference are published on the company's website.</p>	■	

Recommendation	Compliance	Reason for non-compliance and what is done instead
<p><b>3.4.2. The Committee recommends</b> 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.</p>	■	
<p><b>3.4.3. The Committee recommends</b> 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:</p> <ul style="list-style-type: none"> <li>• supervising the correctness of the published financial information, including accounting practices in significant areas, significant accounting estimates and related party transactions,</li> <li>• reviewing internal control and risk areas in order to ensure management of significant risks, including in relation to the announced financial outlook,</li> <li>• assessing the need for internal audit,</li> <li>• performing the evaluation of the auditor elected by the general meeting,</li> <li>• reviewing the auditor fee for the auditor elected by the general meeting,</li> <li>• supervising the scope of the non-audit services performed by the auditor elected by the general meeting, and</li> <li>• 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.</li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>• 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,</li> <li>• ensure that the internal audit function has sufficient resources and competencies to perform its role, and</li> <li>• supervise the executive management’s follow-up on the conclusions and recommendations of the internal audit function.</li> </ul>	■	

Recommendation	Compliance	Reason for non-compliance and what is done instead
<p><b>3.4.4. The Committee recommends</b> that the board of directors establishes a nomination committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• 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,</li> <li>• 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,</li> <li>• 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,</li> <li>• handling the recruitment of new members to the board of directors and the executive management and nominating candidates for the board of directors' approval,</li> <li>• ensuring that a succession plan for the executive management is in place,</li> <li>• supervising executive managements' policy for the engagement of executive employees, and</li> <li>• supervising the preparation of a diversity policy for the board of directors' approval.</li> </ul>	■	
<p><b>3.4.5. The Committee recommends</b> that the board of directors establishes a remuneration committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• preparing a draft remuneration policy for the board of directors' approval prior to the presentation at the general meeting,</li> <li>• providing a proposal to the board of directors on the remuneration of the members of the executive management,</li> <li>• providing a proposal to the board of directors on the remuneration of the board of directors prior to the presentation at the general meeting,</li> <li>• ensuring that the management's actual remuneration complies with the company's remuneration policy and the evaluation of the individual member's performance, and</li> <li>• 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.</li> </ul>	■	

Recommendation	Compliance	Reason for non-compliance and what is done instead
3.5. Evaluation of the board of directors and the executive management		
<p><b>3.5.1. The Committee recommends</b> 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:</p> <ul style="list-style-type: none"> <li>• the composition of the board of directors with focus on competencies and diversity</li> <li>• the board of directors and the individual member's contribution and results,</li> <li>• the cooperation on the board of directors and between the board of directors and the executive management,</li> <li>• the chairperson's leadership of the board of directors,</li> <li>• the committee structure and the work in the committees,</li> <li>• the organisation of the work of the board of directors and the quality of the material provided to the board of directors, and</li> <li>• the board members' preparation for and active participation in the meetings of the board of directors.</li> </ul>	■	
<p><b>3.5.2. The Committee recommends</b> 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.</p>	■	
<p><b>3.5.3. The Committee recommends</b> 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.</p>	■	

Recommendation	Compliance	Reason for non-compliance and what is done instead
<b>4. Remuneration of management</b>		
4.1. Remuneration of the board of directors and the executive management		
<b>4.1.1. The Committee recommends</b> 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.	■	
<b>4.1.2. The Committee recommends</b> 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.	■	
<b>4.1.3. The Committee recommends</b> 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.	■	
<b>4.1.4. The Committee recommends</b> 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.	■	
<b>4.1.5. The Committee recommends</b> that members of the board of directors are not remunerated with share options and warrants.	■	
<b>4.1.6. The Committee recommends</b> 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.	■	

Recommendation	Compliance	Reason for non-compliance and what is done instead
<b>5. Risk management</b>		
5.1. Identification of risks and openness in respect of additional information		
<b>5.1.1. The Committee recommends</b> 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.		
<b>5.1.2. The Committee recommends</b> 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.		



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