

# Remuneration Policy

## 1 Introduction

This Remuneration Policy (the "Policy") outlines the remuneration elements of Coloplast A/S' ("Coloplast" or "Company") Board of Director and Executive Management and is prepared in accordance with Sections 139 and 139(a) of the Danish Companies Act and in accordance with the Danish Recommendations on Corporate Governance.

The purpose of this Policy is to describe the framework for remuneration of Coloplast's Board of Directors and Executive Management and how each component serves to support and drive the Company's business strategy and long-term sustainable value creation.

The remuneration and other relevant terms of employment of Coloplast's employees have been taken into consideration in the preparation of this Policy. The remuneration of Coloplast's employees follow the same overall principles and component design as set out in this Policy in that remuneration is determined in order to support the successful delivery of Coloplast's strategy. The application of the same overall principles helps to support the delivery of the Company's strategy across the Coloplast Group.

This Policy is prepared by Coloplast's Remuneration and Nomination Committee and presented to the Board of Directors for discussion and approval before being submitted for approval at Coloplast's general meeting. The Policy is prepared through a transparent process and when deemed relevant, with external support.

It is the opinion of Coloplast that there is no risk of conflicting interest in connection with the preparation of this Policy as the Policy is adopted by the Board of Directors and approved by the general meeting and the members of the Board of Directors only receive fixed remuneration which is approved by the general meeting.

## 2 General principles

The overall objectives of this Policy are to ensure (i) alignment of interest between Coloplast's Board of Directors and Executive Management and Coloplast's shareholders, (ii) that Coloplast is able to attract, motivate and retain qualified members to the Board of Directors and Executive Management and (iii) long-term sustainable value creation for the benefit of all Coloplast's stakeholders. The remuneration of the Board of Directors and the Executive Management, including the split between fixed and variable remuneration, is deemed to support these objectives.

### 3 Remuneration of the Board of Directors

All members of the Board of Directors receive a fixed annual membership fee ("Base Fee"). If a board member accedes or resigns during an election period, the board member will receive a prorated share of the annual membership fee. The Chairman may receive up to 3 times the Base Fee and the Deputy Chairman may receive up to 2 times the Base fee for their additional duties.

Supplementary fees are given to members upon participation in one or more of the Audit Committee, the Remuneration and Nomination Committee or other committees established by the Board of Directors, taking into account the competencies and the scope of work required in each committee. The Chairman of each board committee may receive payment of up to 1.25 times the Base Fee and other members of each board committee may receive payment of up to 0.75 times the Base Fee.

Members of the Board of Directors do not receive any incentive pay, however, employee-elected members of the Board of Directors may receive incentive pay in their capacity as employees at Coloplast.

If a member of the Board of Directors takes on specific ad hoc tasks in accordance with the Rules of Procedure for the Board of Directors, such member may receive an ad hoc fee for the work carried out, subject to approval by the Board of Directors. The ad hoc fee must subsequently be approved by the shareholders at the first coming annual general meeting.

Reasonable expenses in relation to board- or committee meetings, that are established by the Board of Directors so to perform specific tasks assigned by the Board of Directors, may be reimbursed by the Company. A member of the Board of Directors residing outside Europe may also receive a fixed allowance if such board member needs to travel outside such board member's continent of residence to attend a board or committee meeting.

In addition to the Base Fee and any additional fee for the Chairman, Deputy Chairman and committee member(s), Coloplast may pay contribution to social security taxes imposed by foreign authorities in relation to such fees.

The remuneration of Board members is assessed annually by the Board of Directors based on recommendations from the Remuneration and Nomination Committee. Board member remuneration components are determined based on a benchmark against relevant Danish and international peers.

The remuneration of the Board of Directors is approved by the shareholders at the Company's general meeting each fiscal year.

To be able to attract qualified Board members, the company has taken out a customary D&O insurance. To the extent the insurance coverage is insufficient, the company will in certain cases cover additional claims that a Board member may personally incur.

### 4 Remuneration of Executive Management

The remuneration of Executive Management consists of fixed and variable (short- and long-term) components in addition to non-monetary benefits. The variable components consist of an annual cash bonus (STI) and a long-term share-based incentive scheme (LTI).

The remuneration of Executive Management is determined based on a benchmark against relevant Danish and international peers and is reviewed by the Remuneration and Nomination Committee and approved by the Board of Directors annually.

Members of Executive Management are entitled to pension contributions at a maximum rate of 15% of the base salary as well as other non-monetary benefits.

The combination of fixed pay and short- and long-term incentive programmes are aimed to support the Company's strategy by both incentivising short-term financial performance and long-term sustainable value creation for the benefit of Coloplast's stakeholders.

The fixed pay accounts for approximately up to 65% of the value of the total remuneration to each of the members of Executive Management depending on the achievement of certain KPIs applicable for the STI, as will be described below.

To be able to attract qualified members of the executive management, the company has taken out a customary D&O insurance. To the extent the insurance coverage is insufficient, the company will in certain cases cover additional claims that a member of the executive management may personally incur.

#### 4.1 Fixed remuneration

The total fixed pay of each member of Executive Management consists of a base salary, pension contributions and non-monetary benefits such as company car, insurance, phone, etc. In addition, members of the Executive Management may receive contributions relating to housing and reimbursement of expenses relating to cross-border relocation as well as certain other expenses related to establishing and maintaining a household when relocating cross-border.

The fixed portion of the remuneration of each member of the Executive Management is disclosed each year in the Company's annual report and/or the Company's remuneration report.

#### 4.2 Variable remuneration - short-term incentive (STI) plan

As an element of variable pay, members of Executive Management may receive an annual cash bonus under the STI of up to 25% of the fixed pay, which is tied to the achievement of certain key performance indicators ("KPIs") as determined by the Board of Directors each year.

The KPIs are linked to the financial performance of Coloplast and the Group such as organic growth, operating profit (EBIT) etc., however, the Board of Directors can supplement the financial performance KPIs with non-financial KPIs if the Board of Directors deems it relevant to support the achievement of the Company's strategy.

The level of the annual bonus under the STI is determined annually by measuring the achievement of the specific KPIs on the basis of the results included in Coloplast's annual report.

Pay-out of the above described bonus normally takes place within the first quarter of the new fiscal year upon disclosure of the previous fiscal year's results. The pay-out amount is pro-rated based on days employed and on the incumbents' annual salary amount(s) over the relevant financial year. The actual bonus amounts paid to each member of Executive Management is disclosed every year in the Company's annual report and/or the Company's remuneration report.

#### 4.3 Variable remuneration - long-term incentive (LTI) plan

To ensure retention and a direct correlation with the long-term value creation benefitting shareholders and stakeholders, the Board of Directors has decided to establish a long-term incentive programme consisting of stock options to Executive Management.

Under the LTI programme, each member of Executive Management is eligible once a year to receive stock options with a value at the time of grant of up to 12 months' base salary (including pension contribution). The size of the grant is calculated based on the base salary as at the end of the previous fiscal year (end September), unless otherwise determined by the Board of Directors.

The value of the stock options granted is calculated in accordance with the Black-Scholes formula. The stock options have a term of five years and are exercisable after three years. The term of five years ensures that members of the Executive Management are incentivised to create not only short-term results but also long-term results. Upon vesting, each stock option can be exercised and gives the right to receive one share in Coloplast. Stock options are granted at a strike price which is between 0% and 10% higher than the market price at the date of grant calculated as the average of all trades on the last trading day of the calendar year. Stock options that have not been exercised by the expiry of the exercise period will lapse automatically and without compensation. The Board of Directors may in their sole discretion decide to include achievement of relevant targets as a condition to vesting of the stock options if deemed relevant to support the Company's business strategy and long-term sustainable value creation. The LTI comprises customary good and bad leaver provisions to incentivise retention and long-term contribution in delivering on the Company's strategy.

Stock options granted are covered by the Company's holding of treasury shares.

In extraordinary circumstances, the Board of Directors may decide to accelerate the vesting of stock options and/or to adjust the terms of exercise, e.g. in the case of significant transactions affecting the value of the stock options granted. In such event, the Remuneration Report will include a description of the accelerated vesting and the reasons behind.

#### **4.4 Extraordinary awards**

With the aim of achieving the purpose of this Policy, the Board of Directors may decide to award individual Executive Management members one-off extraordinary bonuses, sign-on bonuses or retention bonuses. Such amount(s) will be disclosed in the Company's annual report and/or the Company's remuneration report.

Extraordinary awards may consist of cash and/or share-based components. The value of extraordinary awards should not exceed 100% fixed pay for the relevant position at the time of the award.

### **5 Clawback, penalties and the like**

Clawback provisions entitling Coloplast in certain situations to reclaim variable remuneration in full or in part from members of Executive Management exist both in terms of the STI and the LTI. Payment of all variable pay elements (STI and LTI) is subject to recovery or "claw back" by Coloplast where it is established that remuneration was paid based on data which has proven to be misstated when variable pay elements are subject to performance criteria and, in respect of all variable pay elements, if a member of Executive Management has acted grossly negligent or fraudulently.

### **6 Termination and severance**

Members of Executive Management may resign from Coloplast by giving 6 months' notice.

Coloplast may terminate the employment of the members of the Executive Management by giving 12 months' notice. In those cases, members of Executive Management may receive up to an additional 12 months' total remuneration as severance payment.

As a main rule, service agreements for members of Executive Management are not time limited.

## **7 Deviations to the Remuneration Policy**

The Board of Directors may in special circumstances deviate from this Policy if any part of this Policy no longer drives business performance, the achievement of the Company's strategy or employee motivation and retention. Any such deviation must be discussed in the Remuneration and Nomination Committee who will provide a substantiated recommendation to the Board of Directors.

Any deviation from this Policy will be described and explained in the Company's annual report and/or remuneration report. A change to any strategic component of remuneration will be disclosed in the Company's annual report and/or the Company's remuneration report.

## **8 Approval and publication**

The Board of Directors, with support from the Remuneration and Nomination Committee, is responsible for the compliance with this Policy and for completing an annual review of this Policy.

This Policy is submitted to the general meeting for approval at least every fourth year and upon any suggested material amendment to this Policy.

This Policy has been approved by the Board of Directors on 5 November 2019 and by the general meeting on [●] 2019. This Policy is available at Coloplast's website, [www.coloplast.com](http://www.coloplast.com).