

Internal controls and risk management systems in relation to the financial reporting process

The purpose of Coloplast's internal controls and risk management systems in relation to the financial reporting process is to ensure that the internal and external financial statements are presented in accordance with IFRS as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies, and to ensure that the financial statements give a true and fair view free from material misstatement.

Our internal control and risk management system ensures that material errors or inconsistencies in the financial statements are identified and corrected, but we have no absolute assurance that all errors are detected and corrected.

The internal control and risk management systems comprise the following areas:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring

Control environment

The Board of Directors has resolved to set up an Audit Committee that will assist the Board of Directors in supervising the financial reporting process and the efficiency of the company's internal control and risk management systems. The Audit Committee will be set up following the Annual General Meeting to be held in December 2009. Until the Audit Committee has been set up, its assignments will be handled by the chairman and the deputy chairman of the Board.

The Executive Management is responsible for maintaining efficient controls and an efficient risk management system. The Executive Management has implemented the controls necessary to address the risks identified in relation to financial reporting.

The composition of the Board of Directors and the Executive Management ensures the relevant competencies with respect to internal controls and risk management in relation to the financial reporting process.

Powers and responsibilities are defined in the Board of Directors' instructions to the Executive Management. The Board of Directors approves the communications policy, the treasury and finance policy, risk management, the code of business conduct as well as Coloplast's mission, vision and corporate values. The Executive Management approves all other policies and regularly briefs the Board of Directors of such policies. The relevant functions at Coloplast issue guidelines and monitor the application of all policies and procedures. Coloplast's accounting policies are set out in the Coloplast financial reporting manual, which is available to all employees. The organisational structure and the internal guidelines combine with laws and other regulations to make up the control environment.

Risk assessment

The Board of Directors and the Executive Management regularly assess risks that Coloplast is exposed to, including risks related to financial reporting.

For more information on risk management at Coloplast, go to Corporate Governance on the Coloplast website.

The chairman and the deputy chairman of the Board review certain high-risk areas at least once a year, including the following:

- Significant accounting estimates

- Material changes to the accounting policies

At least once a year, the Executive Management and the chairman and the deputy chairman of the Board consider whether the current internal controls are effective in relation to the risks identified in the financial reporting process.

Control activities

The global corporate finance skills are reviewed on an ongoing basis in order to ensure an appropriate and satisfactory control environment.

A clearly-defined organisational structure has been set up, in which all regional finance and IT functions report directly to the senior vice president of Corporate Finance and the vice president of IT, respectively. Central controlling functions of the Corporate Finance department, reporting to the senior vice president of Corporate Finance, are responsible for controlling the financial reporting from the parent company and the subsidiaries.

Coloplast has introduced standards for the internal controls relating to financial reporting. These standards are intended to ensure a certain minimum level of internal controls in Coloplast companies, thus making the control environment more efficient. The internal control standards are focused on separating functions and on detective and preventive controls. Coloplast companies are subject to ongoing controls from a central unit of the Corporate Finance department in order to ensure an appropriate control environment.

Information and communication

Coloplast's financial reporting manual and other reporting instructions, including accounting instructions as well as policies for credit-granting and capital expenditure, are updated on a regular basis and are available at the Coloplast intranet, where they can be accessed by all employees.

Any major changes to the above are reported in writing to all financial reporting managers.

A global committee has been set up with all finance functions represented. This committee keeps its members informed about all developments in relation to finance at Coloplast. The committee holds about six meetings per year.

Monitoring

Company reporting is controlled on an ongoing basis and procedures have been established to check and test such reporting. Procedures have also been set up to ensure that any errors are communicated to and corrected by the reporting companies.

The internal controls are subject to ongoing reviews, including in connection with the regular control inspections at subsidiaries conducted by a central unit of the Corporate Finance department. Conclusions from these reviews are submitted to the Executive Management and the external auditors, and material issues are submitted to the chairman and the deputy chairman of the Board.

Coloplast's internal financial reporting ensures an effective process to monitor the company's financial results, making it possible to identify and correct any errors or omissions. The monthly financial reporting from the respective companies is analysed and monitored by the Corporate Finance department in order to identify any weaknesses in the internal controls, failures to comply with procedures and the financial reporting manual, etc. Each company's general manager and financial reporting manager declare on a quarterly basis that their financial reporting is in compliance with the current rules at Coloplast.

The chairman and the deputy chairman of the Board follow up to see that any weaknesses in the internal controls are eliminated and that any errors or omissions in the financial statements identified and reported by the auditors are corrected, including that controls or procedures are implemented to prevent such errors or omissions.