

Statutory report on corporate governance as per s. 107(b) of the Danish Financial Statements Act

This statement forms an integral part of the Management's report in the company's 2015/16 Annual Report.

The company is subject to the recommendations on corporate governance, which are available at the website of the Committee on Corporate Governance, www.corporategovernance.dk

Code of corporate governance

| Recommendation | The company complies | The company partly complies | The company partly complies | Reasons for compliance / part compliance / non-compliance with the recommendation |
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| 1. Communication and interaction by the company with its investors and other stakeholders | | | | |
| 1.1. Dialogue between company, shareholders and other stakeholders | | | | |
| 1.1.1. The Committee recommends that the board of directors ensure ongoing dialogue between the company and its shareholders in order for the shareholders to gain relevant insight into the company's potential and policies, and in order for the board of directors to be aware of the shareholders' views, interests and opinions on the company. | X | | | <p>Coloplast communicates with its shareholders by telephone, email, through annual reporting, company announcements, the corporate website, at general meetings and investor meetings which may be face-to-face or by telephone.</p> <p>General meetings are broadcast by webcast.</p> <p>We follow the technological advances and have considered holding partially electronic general meetings. At the present time, however, we do not consider doing so to be relevant.</p> <p>A policy has been established for the communication of information to shareholders and investors. According to this policy, the Executive Management and the Investor Relations team are responsible for the flow of information pursuant to guidelines agreed with the Board of Directors. The communication of information complies with the rules laid down by Nasdaq Copenhagen comprising:</p> <ul style="list-style-type: none"> ● Full-year and interim financial statements and the annual report ● Replies to inquiries from equity analysts, investors and shareholders ● Site visits by investors and equity analysts ● Presentations to Danish and foreign investors ● Capital markets days for analysts and investors ● Conference calls in connection with the release of financial statements ● Investor relations <u>section</u> on the Coloplast corporate website. <p>Information</p> <p>Coloplast has defined a general communication policy as well as a number of other policies relating to the company's stakeholders.</p> <p>The company complies with the rules laid down by Nasdaq Copenhagen regarding companies' duty to disclose information through company announcements, interim financial statements and annual reports.</p> <p>The consolidated financial statements are presented on a regular basis to analysts, investors and the press. The management takes part in a number of meetings about the Group's financial statements with its stakeholders, primarily employees, shareholders and analysts.</p> <p>All information released to the public is available in Danish and in English on the corporate website.</p> |

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| <p>1.1.2. The Committee recommends that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders and other investors, and that the board ensures that the interests of the shareholders are respected in accordance with company policies.</p> | X | | | <p>Policy The company has adopted and published a policy for the approach to its stakeholders through its mission, value and vision statements.</p> <p>The role of the stakeholders Coloplast's products are supplied through dealers, through hospitals or in combination with the company's own advice directly to end users. The current trend is towards more direct contact with end users.</p> <p>No matter how the products are supplied, Coloplast wishes to form the closest possible ties with customers in order to enhance value creation. The needs and expectations of our customers change over time and Coloplast must constantly be ready to change with them. Healthcare professionals and users are involved in the development of new products and services on an on-going basis.</p> <p>Each individual employee's personal and professional development is important to the continued growth of the company. The requirements to adaptability, knowledge sharing and training of new skills are growing, giving our employees greater independence and a more varying work day. Coloplast wishes to attract and retain people who thrive in an active environment and who consider their employment with us a learning process.</p> <p>Coloplast takes an active responsibility for contributing to a sustainable development.</p> <p>The company wishes to contribute to improving the quality of life of the users of our products and services.</p> <p>Coloplast's initiatives on corporate social responsibility, contributions to society through taxes and duties, environmental management and partnerships with educational institutions all add to overall value creation in society. Coloplast has prepared a tax policy which is available on the corporate website.</p> <p>An integral part of Coloplast's management philosophy is to achieve balanced value creation for the company's stakeholders both in the short and the long term. The management believes that such balance will also maximise value generation for the shareholders.</p> |
| <p>1.1.3. The Committee recommends that the company publish quarterly reports</p> | X | | | <p>Coloplast prepares quarterly interim reports to Nasdaq Copenhagen. These reports are available on the corporate website.</p> |

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| 1.2. General meetings | | | | |
| <p>1.2.1. The Committee recommends that when organising the company's general meeting, the board of directors plans the meeting to support active ownership.</p> | X | | | <p>Coloplast engages actively with the shareholders at the company's general meetings.</p> <p>An invitation to attend general meetings along with the agenda is sent to all registered shareholders, and the annual report is sent to those shareholders who have so requested.</p> <p>In addition, shareholders may indicate on a proxy form how they wish to vote on each item on the agenda. The proxy may be given to the Board of Directors or a named third party. It is also possible to provide a proxy on the company's website www.coloplast.com.</p> <p>Annual reports, agendas and other material forwarded to shareholders will also be available on the company's website.</p> <p>The Board of Directors has resolved that general meetings are conducted by physical attendance. General meetings are broadcast by webcast.</p> <p>We follow the technological advances and have considered holding partially electronic general meetings. At the present time, however, we do not consider doing so to be relevant.</p> |
| <p>1.2.2. The Committee recommends that proxies granted for the general meeting allow shareholders to consider each individual item on the agenda.</p> | X | | | <p>Prior to general meetings, a proxy form is sent to all registered shareholders, on which they may indicate how they wish to vote on each item on the agenda.</p> |
| 1.3. Takeover bids | | | | |
| <p>1.3.1. The Committee recommends that the company set up contingency procedures in the event of takeover bids from the time that the board of directors has reason to believe that a takeover bid will be made. According to such contingency procedures, the board of directors should not without the acceptance of the general meeting, attempt to counter the takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid themselves.</p> | X | | | <p>Apart from the different weights of voting rights between class A and class B shares and the authority provided in article 5 of the articles of association, there are no anti-takeover measures by way of a ceiling on votes or any restrictions that would enable the Board of Directors to take steps to prevent a takeover bid.</p> <p>Contingency plans have been prepared in the event of an uninvited takeover bid with a view to provide the facts so as to enable the shareholders to make an informed decision.</p> |

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| 2. Tasks and responsibilities of the Board of Directors | | | | |
| 2.1. Overall tasks and responsibilities | | | | |
| 2.1.1. The Committee recommends that at least once a year the board of directors take a position on the matters related to the board's performance of its responsibilities. | X | | | <p>The Board of Directors defines each year its most important tasks in relation to the financial and managerial control of the company.</p> <p>Rules of procedure have been prepared for Coloplast's Board of Directors. These procedures are reviewed annually by the full Board to ensure that they match current needs.</p> <p>The rules of procedure for both the Board of Directors and the Executive Management contain a description of their most important tasks, including tasks related to the financial and managerial control of the company, and the supervision of the company's organisation, day-to-day management and results.</p> <p>The Board of Directors considers at least once a year whether the company is properly organised and whether the necessary qualifications and financial resources are in place in order for the company to achieve its strategic objectives.</p> |
| 2.1.2. The Committee recommends that at least once a year the board of directors take a position on the overall strategy of the company with a view to ensuring value creation in the company. | X | | | <p>A meeting dedicated to strategy is normally held once a year.</p> <p>The Board of Directors determines, on the recommendation of the Executive Management, Coloplast's overall objectives, strategies and action plans and approves the essence of the forecasts prepared by the Executive Management.</p> <p>The Board of Directors and the Executive Management review and determine the company's strategic objectives at least once a year.</p> <p>The Board holds at least five board meetings per year, at which all issues relating to the overall development of the company are discussed.</p> |
| 2.1.3. The Committee recommends that the board of directors ensure that the company has a capital and share structure ensuring that the strategy and long-term value creation of the company are in the best interest of the shareholders and the company, and that the board of directors presents this in the management commentary on the company's annual report and/or on the company's website. | X | | | <p>The Board of Directors regularly reviews the company's capital structure, and considers whether it is consistent with the interests of the company and the shareholders. It also makes plans annually for the development of the company's capital and share structures. The assessment of the capital structure includes the company's credit rating and the potential for allocating a positive cash flow towards purchasing own shares or for increasing the pay-out ratio to the shareholders.</p> <p>Coloplast has two share classes: 18 million class A shares entitling the holders to ten votes per A share and 198 million class B shares entitling the holders to one vote per B share. Both share classes have a denomination of DKK 1 per share. Coloplast's class B shares were</p> |

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| | | | | <p>listed on the Copenhagen Stock Exchange in 1983, whereas the class A shares are non-negotiable instruments.</p> <p>Any change of class A share ownership requires the consent of the Board of Directors.</p> <p>The composition of shareholders by the two categories is disclosed in each annual report. The Board of Directors believes that this share structure has supported Coloplast's development and that maintaining this structure will be to the benefit of all the company's shareholders.</p> |
| <p>2.1.4. The Committee recommends that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board on timely, accurate and adequate reporting to the board of directors.</p> | X | | | <p>The rules of procedure for the Executive Management set out the requirements for the Executive Management's reporting to the Board of Directors as well as for all other communication between the two bodies.</p> <p>The rules of procedure are reviewed annually.</p> <p>The Board of Directors reviews and considers, on a quarterly basis, the conclusions and recommendations submitted by the Executive Management.</p> |
| <p>2.1.5. The Committee recommends that at least once a year the board of directors discuss the composition of the executive board, as well as developments, risks and succession plans.</p> | X | | | <p>The Board of Directors discuss, at least once a year, the composition of the Executive Management, as well as developments, risks and succession plans.</p> <p>The management in each of Coloplast's individual business units and staff functions is responsible for identifying and managing risk factors in their part of the organisation. The most significant risks are reported quarterly to Corporate Risk Management.</p> <p>This reporting process together with organisational risk interviews leads to a quarterly risk update for the Executive Management and the Board of Directors.</p> <p>The Executive Management is responsible for the company's overall approach to risk taking and for aligning this approach with Coloplast's overall strategies and policies.</p> <p>The Executive Management is also responsible for validating risk responses to the most significant risks.</p> |

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| <p>2.1.6. The Committee recommends that once a year the board of directors discuss the company's activities to ensure relevant diversity at management levels, including setting specific goals and accounting for its objectives and progress made in achieving the objectives in the management commentary on the company's annual report and/or on the website of the company.</p> | X | | | <p>At the board meeting held on 15 August 2012, the Board reviewed Coloplast's policy on diversity and targets for women in management. Coloplast recognises that there must be a sustained effort to increase diversity in management, including the proportion of women.</p> <p>Target figures for women in management: We aim to double the number of women in management within 5 years. We want to go from 11% in 2012 (at executive, senior VP and VP levels) to 22% in 2017. For 2015/16 the percentage is 15%.</p> <p>The Board has resolved the following in respect of its composition: Coloplast aims for its Board of Directors to consist of the best qualified individuals.</p> <p>The Board endeavours to increase the number of shareholder-elected women to one third of the shareholder-elected Board members within one year.</p> <p>The resulting changes should take place by way of natural attrition among Board members.</p> |
| 2.2. Corporate social responsibility | | | | |
| <p>2.2.1. The Committee recommends that the board of directors adopt policies on corporate social responsibility.</p> | X | | | <p>Coloplast has adopted a policy on corporate social responsibility and the company reports regularly on its social, environmental and ethical efforts.</p> <p>We issue a progress report on corporate responsibility concurrently with the annual report, due to growing demand from investors, customers, employees and users. The report is prepared in compliance with the principles of the UN Global Compact.</p> |
| 2.3. The chairman and the vice-chairman of the Board of Directors | | | | |
| <p>2.3.1. The Committee recommends appointing a vice-chairman of the board of directors who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective sparring partner for the chairman.</p> | X | | | <p>The Board meets immediately upon the conclusion of the annual general meeting to elect its Chairman and Deputy Chairman. The Deputy Chairman assumes the duties and powers of the Chairman in his absence.</p> <p>The rules of procedure for the Board of Directors contain a description of the duties and responsibilities of the Chairman and the Deputy Chairman.</p> |

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| <p>2.3.2. The Committee recommends ensuring that, if the board of directors, in exceptional cases, asks the chairman of the board of directors to perform special operating activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect be passed to ensure that the board of directors maintains its independent, overall management and control function. Resolutions on the chairman's participation in day-to-day management and the expected duration hereof should be published in a company announcement.</p> | X | | | <p>The Chairman of the Board of Directors organises, convenes and chairs board meetings to ensure efficiency in the Board's work and to create the best possible working conditions for the individual members as well as for the Board collectively.</p> <p>The Chairman of the Board of Directors does not participate in the day-to-day management of the company and does not perform any special tasks for the company other than his duties as Chairman of the Board of Directors.</p> <p>If the Chairman is asked to perform special tasks, the Board of Directors will comply with the corporate governance recommendations.</p> |
| <h3>3. Composition and organisation of the Board of Directors</h3> | | | | |
| <h4>3.1. Composition</h4> | | | | |
| <p>3.1.1. The Committee recommends that the board of directors annually accounts for</p> <ul style="list-style-type: none"> • the skills it must have to best perform its tasks, • the composition of the board of directors, and • the special skills of each member. | X | | | <p>It is the responsibility of the Chairman to assess whether the Board of Directors overall possesses the knowledge and skills relevant and necessary to manage the company. The principal skills needed on Coloplast's Board of Directors are: economics and finance, manufacturing, logistics, global sales and marketing, general management, innovation, legal affairs and acquisitions.</p> <p>The annual report discloses the composition of the Board of Directors as well as of other executive functions held.</p> <p>Reference is also made in the annual report to the Coloplast website, www.coloplast.com, for further information on each Board member.</p> |
| <p>3.1.2. The Committee recommends that the selection and nomination of candidates for the board of directors be carried out through a thoroughly transparent process approved by the overall board of directors. When assessing its composition and nominating new candidates, the board of directors must take into consideration the need for integration of new talent and diversity in relation to age, international experience and gender.</p> | X | | | <p>As Coloplast's supreme management body, the Board of Directors approves decisions of a strategic and fundamental nature.</p> <p>It is important to recruit people to the Board of Directors who possess, between them, competencies enabling them to handle the interests of the shareholders and the employees in the best possible manner with due regard for the company's other stakeholders.</p> <p>Diversity is among the criteria also being considered.</p> <p>In 2012, the Board of Directors defined targets for the proportion of the under-represented gender on the Board as well as a deadline for achieving them as required by law.</p> <p>The Chairman and the Deputy Chairman are responsible for ensuring a thorough and transparent process of selecting and nominating candidates for the Board of Directors.</p> |

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| <p>3.1.3. The Committee recommends that the notice convening the general meeting when election of members to the board of directors is on the agenda be accompanied by a description of the nominated candidates' qualifications, including information about the candidates'</p> <ul style="list-style-type: none"> • other executive functions, among these memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises • demanding organisational tasks, and information about • whether candidates to the board of directors are considered independent. | X | | | <p>The CVs of the individual Board members are made available to the public.</p> <p>Together with the notice to convene the general meeting, the Board of Directors discloses the profiles and backgrounds of the candidates standing for the Board. This applies to both first-time elections and re-elections.</p> <p>The company discloses on its website and in the annual report which Board members are considered to be independent.</p> <p>At general meetings, the Board of Directors also announces whether new candidates for the Board are considered to be independent.</p> |
| <p>3.1.4. The Committee recommends that the company's articles of association stipulate a retirement age for members of the board of directors.</p> | | | X | <p>The company's Articles of Association do not stipulate an age limit for Board members.</p> <p>The Board of Directors believes that age per se should not qualify or disqualify a person from serving on the Board of Directors.</p> <p>The age and length of service of each Board member is indicated in the annual report and on the company's website.</p> |
| <p>3.1.5. The Committee recommends that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.</p> | X | | | <p>The company's articles of association provide that all shareholder-elected Board members stand for election every year.</p> |
| <p>3.2. Independence of the Board of Directors</p> | | | | |
| <p>3.2.1. The Committee recommends that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests.</p> <p>To be considered independent, this person may not:</p> <ul style="list-style-type: none"> • be or within the past five years have been member of the executive board, or senior staff member in the company, a subsidiary undertaking or an associate, • within the past five years, have received larger emoluments from the company/group, a subsidiary undertaking or an associate in another capacity than as member of the board of directors, • represent the interests of a controlling shareholder, • within the past year, have had significant business relations (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive | X | | | <p>A majority of the Board members elected by the shareholders in general meeting are considered by the Board of Directors to be independent of company interests.</p> <p>Currently serving on the Board is a major shareholder as well as a Board member who has served for more than 12 years.</p> <p>In the list of Board members set out in the section "Management and Board of Directors" on the company's website, it is indicated whether the Board of Directors considers each individual member to be independent.</p> <p>The Board members elected by the employees are, by virtue of their employment with the company, not considered to be independent.</p> <p>At Coloplast no Board member is also a member of the Executive Management.</p> |

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| <p>management in companies with corresponding connection) with the company, a subsidiary undertaking or an associate.</p> <ul style="list-style-type: none"> • be or within the past three years have been employed or partner at the external auditor, • have been chief executive in a company holding cross-memberships with the company, • have been member of the board of directors for more than 12 years, or • have been close relatives with persons who are not considered independent. | | | | |
| 3.3. Members of the board of directors and the number of other executive functions | | | | |
| <p>3.3.1. The Committee recommends that each member of the board of directors assesses the expected time commitment for each function in order that the member does not take on more functions than he/she can manage satisfactorily for the company.</p> | X | | | <p>Each Board member's executive functions members with other Danish and foreign companies are disclosed in the annual report.</p> <p>Coloplast's website also provides information on other important positions held. The rules of procedure for the Board of Directors do not restrict the number of executive functions or other positions held.</p> <p>It is customary for all Board Members to attend all Coloplast board meetings.</p> |
| <p>3.3.2. The Committee recommends that the management commentary, in addition to the provisions laid down by legislation, includes the following information about the members of the board of directors:</p> <ul style="list-style-type: none"> • the position of the relevant person, • the age and gender of the relevant person, • whether the member is considered independent, • the date of appointment to the board of directors of the member, • expiry of the current election period, • other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises and • demanding organisational tasks, and • the number of shares, options, warrants and similar in the company, and other group companies of the company, owned by the member, as well as changes in the portfolio of the member of the securities mentioned which have occurred during the financial year. | | X | | <p>The company discloses on its website which Board members are considered to be independent.</p> <p>At general meetings, the Board of Directors also announces whether new candidates for the Board are considered to be independent.</p> <p>The annual report provides information on each Board member's other executive functions in Danish and foreign companies, independence as well as their educational backgrounds and length of service.</p> <p>The company also discloses in the annual report the aggregate number of shares in the company held by the Board members as well as any changes in such holdings during the financial year.</p> <p>In addition, Coloplast discloses, on a regular basis and pursuant to the provisions of the Danish Securities Trading Act, Board members' transactions involving Coloplast shares.</p> <p>There is no maximum length of service on the Board, but it remains a special responsibility of the Chairman to ensure renewal and continuity in the composition of the Board of Directors.</p> <p>Board members elected by the shareholders in general meeting are elected for terms of one year and are eligible for re-election.</p> |

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| 3.4. Board committees | | | | |
| <p>3.4.1. The Committee recommends that the company publish the following on the company's website:</p> <ul style="list-style-type: none"> • The terms of reference of the board committees, • the most important activities of the committees during the year, and the number of meetings held by each committee, and • the names of the members of each committee, including the chairmen of the committees, as well as information on which members are independent members and which members have special qualifications. | X | | | <p>The company discloses the terms of reference of the audit committee, the most important activities of and the number of meetings held by the committee, committee members' names including the name of the committee chairman. Information on committee member independence is provided on the company's website.</p> |
| <p>3.4.2. The Committee recommends that a majority of the members of a board committee be independent.</p> | X | | | <p>A majority of the members of the audit committee are independent.</p> |
| <p>3.4.3. The Committee recommends that the board of directors set up a formal <u>audit committee</u> composed such that</p> <ul style="list-style-type: none"> • the chairman of the board of directors is not chairman of the audit committee, and • between them, the members should possess such expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit aspects of companies whose shares are admitted to trading on a regulated market. | | X | | <p>The company has established an audit committee.</p> <p>The company believes that the composition of the audit committee including its chairman to be appropriate, as its members possess the necessary skills and expertise.</p> <p>The Board of Directors of Coloplast has re-elected Michael Pram Rasmussen as chairman of the audit committee.</p> <p>The Board of Directors finds it an appropriate and natural choice for the Chairman of the Board of Directors to also handle the tasks related to planning and formally chairing the meetings of the audit committee, among other things to ensure consistency with the work of the Board.</p> |
| <p>3.4.4. The Committee recommends that, prior to the approval of the annual report and other financial reports, the audit committee monitors and reports to the board of directors about:</p> <ul style="list-style-type: none"> • significant accounting policies, • significant accounting estimates, • related party transactions, and • uncertainties and risks, including in relation to the outlook for the current year. | X | | | <p>The functions and duties of the audit committee are described in the committee's terms of reference, which is available on the company's website, www.coloplast.com.</p> |

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| <p>3.4.5. The Committee recommends that the audit committee:</p> <ul style="list-style-type: none"> annually assesses the need for an internal audit, and in such case, makes recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, and monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function. | X | | | <p>Once a year, the audit committee assesses the need for an internal audit function.</p> <p>On the basis of a recommendation from the audit committee, the Board of Directors reviews, at least once a year, the adequacy of the internal control systems.</p> <p>The Board has assessed that the size and complexity of the company currently does not necessitate the establishment of an internal audit function.</p> <p>The motivation for a decision on whether to establish an internal audit function is disclosed in the management's review in the annual report.</p> |
| <p>3.4.6. The Committee recommends that the board of directors establish a <u>nomination committee</u> chaired by the chairman of the board of directors with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> describe the qualifications required by the board of directors and the executive board, and for a specific membership, state the time expected to be spent on having to carry out the membership, as well as assess the competences, knowledge and experience of the two governing bodies combined, annually assess the structure, size, composition and results of the board of directors and the executive board, as well as recommend any changes to the board of directors, annually assess the competences, knowledge and experience of the individual members of management, and report to the board of directors in this respect, consider proposals from relevant persons, including shareholders and members of the board of directors and the executive board for candidates for the board of directors and the executive board, and propose an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes. | | | X | <p>The Board of Directors has not established an independent nomination committee.</p> <p>The Chairman and the Deputy Chairman assess and determine in consultation with the Board of Directors once a year the size, structure, composition, skills, knowledge and experience believed to be required on the Board of Directors as well as in the Executive Management.</p> |

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| <p>3.4.7. The Committee recommends that the board of directors establish a <u>remuneration committee</u> with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> to recommend the remuneration policy (including the general guidelines for incentive-based remuneration) to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting, make proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensure that the remuneration is in compliance with the company's remuneration policy and the assessment of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the board of directors and the executive board receive from other companies in the group, and recommend a remuneration policy applicable for the company in general. | | | X | The Chairman and the Deputy Chairman assess once a year the remuneration of the Board of Directors and the Executive Management and recommend this to the Board of Directors for approval. |
| <p>3.4.8. The Committee recommends that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p> | | | X | No remuneration committee has been established. |
| 3.5. Evaluation of the performance of the board of directors and the executive board | | | | |
| <p>3.5.1. The Committee recommends that the board of directors establish an evaluation procedure where contributions and results of the board of directors and the individual members, as well as collaboration with the executive board are annually evaluated. Significant changes deriving from the evaluation should be included in the management commentary or on the company's website.</p> | X | | | <p>On a regular basis the Board of Directors assesses the work of the Board, as well as the contributions and achievements of the Board collectively and of its individual members, on the basis of which the Board of Directors performs a self-assessment once a year. The self-assessment is a requirement set out in the rules of procedure for the Board of Directors.</p> <p>The Chairman is responsible for carrying out the assessment, and the results are discussed by the entire Board of Directors.</p> <p>The results and the procedure of the assessment are disclosed in the company's annual report.</p> <p>The Board of Directors reviews regularly and at least once a year as part of its self-assessment process whether the skills and expertise of the Board in general and the individual Board members need to be updated.</p> |

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| <p>3.5.2. The Committee recommends that in connection with preparation of the general meeting, the board of directors consider whether the number of members is appropriate in relation to the requirements of the company. This should help ensure a constructive debate and an effective decision-making process in which all members are given the opportunity to participate actively.</p> | X | | | <p>Considerations are made on an on-going basis as to whether the number of Board members is consistent with the needs of the company. The articles of association provide for at least five and not more than eight members to be elected by the shareholders in general meeting. Currently, eight Board members are elected by the shareholders. In addition, the employees elect a number of members to the Board of Directors, currently three.</p> <p>In the preparations for each year's general meeting, the Board of Directors considers whether the number of board members is appropriate in relation to the requirements of the company.</p> |
| <p>3.5.3. The Committee recommends that at least once every year the board of directors evaluate the work and performance of the executive board in accordance with predefined clear criteria.</p> | X | | | <p>The Chairman and Deputy Chairman make an annual assessment of the Executive Management's work and results, including of the cooperation between the Board of Directors and the Executive Management. The assessment and any action to be taken is discussed by the entire Board without the presence of the Executive Management and is subsequently presented to the Executive Management.</p> |
| <p>3.5.4. The Committee recommends that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the board of directors and the chief executive officer and that the outcome of the evaluation be presented to the board of directors.</p> | X | | | <p>The Chairman and Deputy Chairman make an annual assessment of the Executive Management's work and results, including of the cooperation between the Board of Directors and the Executive Management. The assessment and any action to be taken is discussed by the entire Board without the presence of the Executive Management and is subsequently presented to the Executive Management.</p> |

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| 4. Remuneration of management | | | | |
| 4.1. Form and content of the remuneration policy | | | | |
| <p>4.1.1. The Committee recommends that the board of directors prepare a clear and transparent remuneration policy for the board of directors and the executive board, including</p> <ul style="list-style-type: none"> • a detailed description of the components of the remuneration for members of the board of directors and the executive board, • the reasons for choosing the individual components of the remuneration, and • a description of the criteria on which the balance between the individual components of the remuneration is based. <p>The remuneration policy should be approved by the general meeting and published on the company's website.</p> | X | | | <p>The Board of Directors has adopted general guidelines for the company's remuneration of members of the Board of Directors and the Executive Management.</p> <p>The general guidelines have been approved by the shareholders in general meeting.</p> <p>The remuneration policy sets out that members of the Board of Directors receive a fixed annual fee and that the remuneration paid to members of the Executive Management consists of a fixed and a variable component.</p> <p>The fixed component consists of a net salary, pension contribution and other benefits. The variable component consists of a bonus and of options.</p> <p>Board of Directors Members of the Board of Directors receive a fixed annual fee. The chairman and deputy chairman of the Board of Directors receive a supplement to this fee. The amounts of fees and supplements are approved by the shareholders in general meeting and disclosed in the annual report. Fees are fixed on the basis of fees paid by other companies. Members of the Board of Directors receive no incentive pay.</p> <p>Executive Management The Chairman and Deputy Chairman perform an annual review of the remuneration paid to members of the Executive Management. The remuneration paid to members of the Executive Management consists of a fixed and a variable component. The fixed pay consists of a net salary, pension contribution and other benefits. The value of each of those components for each member of the Executive Management is disclosed in the annual report. As an element of the variable pay, members of the Executive Management may receive an annual bonus, subject to the achievement of certain benchmarks. The bonus proportion may vary among the members of the Executive Management, but is subject to a maximum of 25% of their annual remuneration. The actual bonus paid to each member of the Executive Management is disclosed in the Annual Report. At the date of adoption of these guidelines, the bonus benchmarks are based on value creation and profitability, but they may be changed by the Board of Directors. Any such change will be communicated in a company announcement.</p> <p>Another element of the variable pay is made up of options and is intended to ensure that the Executive Management's incentive correlates with the long-term creation of shareholder value. For that</p> |

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| | | | | <p>same reason, the option plan is revolving and not subject to the achievement of defined benchmarks.</p> <p>Members of the Executive Management are awarded a number of options each year with a value equal to a maximum of 40% of the Executive Management's remuneration. The value is calculated in accordance with the Black-Scholes formula. Options are awarded at a strike price which is 15% higher than the market price at the award date calculated as the average price of all trades on the last trading day of the calendar year. The options have a term of five years and are exercisable after three years. The number of options awarded to each member of the Executive Management and their value is disclosed in the annual report. Options in the Executive Management share option plan are covered by the company's holding of treasury shares.</p> <p>In addition, the Chairman and Deputy Chairman of the Board perform an annual review of the remuneration paid to members of the Executive Management relative to the managements of other Danish companies.</p> <p>The Board of Directors considers the remuneration policy to be clear and easily understandable.</p> <p>The policy is disclosed in the annual report.</p> |
| <p>4.1.2. The Committee recommends that, if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> • limits be set on the variable components of the total remuneration package, • a reasonable and balanced linkage be ensured between remuneration for governing body members, expected risks and the value creation for shareholders in the short and long terms, • there be clarity about performance criteria and measurability for award of variable components, • there be criteria ensuring that qualifying periods for variable components in remuneration agreements are longer than one calendar year, and • an agreement is made which, in exceptional cases, entitles the company to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be misstated. | X | | | <p>The remuneration policy defines limits for the variable components, and the Board of Directors believes there is a reasonable and balanced linkage between the remuneration, expected risks and value creation in both the short and the long term. We have ensured clarity about the performance criteria and clearly defined benchmarks.</p> <p>The criteria for some of the variable components extend further than one calendar year.</p> <p>Coloplast's current remuneration agreements contain claw back clauses.</p> |

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| 4.1.3. The Committee recommends that remuneration of members of the board of directors does not include share options. | X | | | Members of the Board of Directors receive a fixed annual fee and are not eligible for share option or warrant programmes. The Chairman and Deputy Chairman of the Board of Directors receive a supplement to their board remuneration. |
| 4.1.4. The Committee recommends that if share-based remuneration is provided, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should have a maturity of at least three years from the date of allocation. | X | | | <p>Members of the Executive Management are awarded a number of options each year with a value equal to a maximum of 40% of the Executive Management's remuneration. The value is calculated in accordance with the Black-Scholes formula. Options are awarded at a strike price which is 15% higher than the market price at the award date calculated as the average price of all trades on the last trading day of the calendar year.</p> <p>The options have a term of five years and are exercisable after three years. The number of options awarded to each member of the Executive Management and their value is disclosed in the annual report.</p> <p>Options in the Executive Management share option plan are covered by the company's holding of treasury shares.</p> |
| 4.1.5. The Committee recommends that agreements on termination payments should not amount to more than two years' annual remuneration. | X | | | Termination payments are capped at a maximum of two years' remuneration. |
| 4.2. Disclosure of the remuneration policy | | | | |
| 4.2.1. The Committee recommends that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's statement at the company's general meeting. | X | | | The company's remuneration policy and compliance with this policy is explained and motivated in the Chairman's report at the company's annual general meeting. |
| 4.2.2. The Committee recommends that the proposed remuneration for the board of directors for the current financial year be approved by the shareholders at the general meeting. | X | | | Proposals for the remuneration paid to the Board of Directors in respect of the current financial year are approved by the shareholders at the annual general meeting. |
| 4.2.3. The Committee recommends that the total remuneration granted to each member of the board of directors and the executive board by the company and other companies in the group, including information on the most important contents of retention and retirement/resignation schemes, be disclosed in the | X | | | <p>The total remuneration paid to each member of the Executive Management and for each function in the Board of Directors is disclosed in the annual report.</p> <p>The members of the Board of Directors are not covered by a pension scheme. However, one Board member is covered by a defined benefit scheme which applied to Board members prior to an amendment to</p> |

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| <p>annual report and that the linkage with the remuneration policy be explained.</p> | | | | <p>the Articles of Association adopted by the shareholders in general meeting in 2002.</p> <p>The members of the Executive Management are not covered by a defined benefit pension scheme. Individual pension schemes have been agreed with the members of the Executive Management.</p> <p>Information about the main aspects of severance schemes is disclosed in the company's annual report.</p> |
| 5. Financial reporting, risk management and audits | | | | |
| 5.1. Identification of risks and transparency about other relevant information | | | | |
| <p>5.1.1. The Committee recommends that the board of directors in the management commentary review and account for the most important strategic and business-related risks, risks in connection with the financial reporting as well as for the company's risk management.</p> | <p>X</p> | | | <p>The management in each of Coloplast's individual business units and staff functions is responsible for identifying and managing risk factors in their part of the organisation. The most significant risks are reported quarterly to Corporate Risk Management.</p> <p>This reporting process together with organisational risk interviews leads to a quarterly risk update for the Executive Management and the Board of Directors.</p> <p>The Executive Management is responsible for the company's overall approach to risk taking and for aligning this approach with Coloplast's overall strategies and policies.</p> <p>The Executive Management is also responsible for validating risk responses to the most significant risks.</p> <p>The Board of Directors reviews and considers, on a quarterly basis, the conclusions and recommendations submitted by the Executive Management.</p> <p>The management's review in the annual report contains information about the company's management of business risks.</p> |
| 5.2. Whistleblowing scheme | | | | |
| <p>5.2.1. The Committee recommends that the board of directors decide whether to establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.</p> | <p>X</p> | | | <p>Coloplast established a global whistleblowing scheme in October 2010 to enable expedient and confidential notification of unlawful or unethical behaviour. The scheme allows employees as well as external parties to report online or by telephone in respectively 13 and 24 different languages.</p> |

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| 5.3. Contact to auditor 5.3.1. The Committee recommends that the board of directors ensure regular dialogue and exchange of information between the auditor and the board of directors, including that the board of directors and the audit committee at least once a year meet with the auditor without the executive board present. This also applies to the internal auditor, if any. | X | | | <p>The Board of Directors has and maintains regular contact with the auditors.</p> <p>The auditor's report to the Board of Directors by way of long-form audit reports.</p> <p>In addition, the auditors attend audit committee meetings as and when necessary, and they always attend the board meeting at which the annual report is considered and approved.</p> <p>The audit committee meets with the auditors twice a year and otherwise at the auditors' request.</p> <p>The Board of Directors meets with the auditors at least once a year without the Executive Management being present.</p> <p>The auditors are also present at the general meeting.</p> |
| 5.3.2. The Committee recommends that the audit agreement and auditors' fee be agreed between the board of directors and the auditor on the basis of a recommendation from the audit committee. | X | | | <p>The Board of Directors and the auditors conclude an audit agreement specifying the services to be provided by the auditors and the fee payable on the basis of a recommendation from the audit committee. The agreement implies that the auditors' thorough knowledge about the company's activities, specific conditions related to the industry, the company's organisation, administrative systems, control environment and other relevant aspects forms the basis for the planning and conduct of the audit.</p> <p>Non-audit services</p> <p>The Board annually lays down the overall, general scope of non-audit services to be provided by the auditors. According to the rules of procedure of the Executive Management, non-audit services expected to exceed the total annual audit fees or DKK 1.5m per individual assignment must be presented to the Chairman and Deputy Chairman of the Board of Directors for approval before an agreement is signed with respect to such services.</p> |