

# REMUNERATION POLICY

## 1. Introduction

This remuneration policy describes the principles of and framework for the total remuneration paid to members of the Board of Directors and the Executive Board of Ambu A/S ('Ambu'). The Executive Board means the executive officers registered with the Danish Business Authority as executive officers of Ambu.

However, the overall principles of the remuneration policy regarding the allocation of cash bonuses (short-term incentive-based remuneration) and share-based payments (long-term incentive-based remuneration) are applicable in general in the Ambu group, unless otherwise stated in the remuneration policy.

Ambu's overall guidelines on an incentive-based remuneration programme for members of the Board of Directors and the Executive Board, see section 139 of the Danish Companies Act (*Selskabsloven*), are an integrated part of the remuneration policy.

### 1.1 Objective

Overall objective of the remuneration policy:

- Attracting, motivating and retaining qualified members of the Board of Directors and the Executive Board
- Ensuring the alignment of the management's interests, on the one hand, and Ambu's and the shareholders' interests, on the other hand
- Contributing to promoting the value creation in Ambu and thus supporting Ambu's business strategy.

### 1.2 General principles

The remuneration for the Board of Directors is basically composed of a fixed remuneration without the addition of variable remuneration components, see clause 2. To a wide extent, the remuneration policy therefore concerns the remuneration for the Executive Board, which in any case applies to the clause on variable remuneration in the remuneration policy.

The remuneration for the Executive Board is basically composed of the following remuneration components:

Remuneration components for the Executive Board	
1	Fixed base salary
2	Pension contributions
3	Usual employee benefits, including a company car, insurance and payment of bridge tolls and ferry charges
4	Cash bonuses (short-term incentive-based remuneration)
5	Share-based payments (long-term incentive-based remuneration)

The fixed remuneration components are based primarily on the desire to ensure Ambu's ability to attract and retain qualified executive officers on competitive terms. The same applies to the fixed remuneration for members of the Board of Directors. The variable remuneration components for the Executive Board must primarily ensure that the management's and the shareholders' interests are identical and that the value creation in Ambu and Ambu's strategy are promoted to the highest possible extent.

The variable remuneration components for the Executive Board are based on a number of financial performance criteria (KPIs) which must be realised before the Executive Board can be allocated variable remuneration. The KPIs are determined taking into account Ambu's strategy, sustainability, long-term goals and value creation and consist of specific criteria for organic growth, EBIT margin and free cash flows to be realised in the short and long term, see more information in clause 3.2. Non-financial KPIs, including the realisation of CSR targets and the safeguarding of internal procedures, may also be included in the basis for allocating variable remuneration.

The common characteristic of the KPIs is that they are closely related to the targets which are normative for Ambu's strategy – both in the short and long term. By creating a close relationship between the KPIs for the variable remuneration for the Executive Board and Ambu's strategy, it is ensured that the remuneration policy, including in particular the variable remuneration for the Executive Board, effectively contributes to the realisation of Ambu's long-term interests and value creation and the relevant goals for this. The realisation of Ambu's overall strategy also contributes to strengthening the company's sustainability, as the business strategy, among other things, aims to consolidate the stable core business and develop new product solutions that ensure Ambu's continued growth.

As part of the determination of the remuneration policy for the management, Ambu has compared and assessed the relationship between the management's remuneration and the other employees' salaries and terms of employment. In relation to the other employees' terms of employment, the remuneration policy has been prepared such that the management's remuneration is proportionately in line with the responsibility which the duties of the Executive Board entail. In the preparation of the remuneration policy, Ambu has also taken into account that the relationship between the management's and the other employees' total remuneration does not differ significantly from comparable market ratios.

In addition to the share-based incentive schemes which are described in the remuneration policy, Ambu also wishes to ensure that Ambu employees are offered the opportunity to become shareholders on favourable terms if permitted by Ambu's financial position. This is based, among other things, on the intention to align the management's and the other employees' remuneration structure.

### 1.3 Decision-making process and conflicts of interest

The determination of the remuneration policy is a key part of the Remuneration Committee's tasks, and when needed, the Remuneration Committee thus revises the remuneration policy and draws up a new framework for the remuneration of the Ambu management. The Remuneration Committee has the overall responsibility for the ongoing revision of the remuneration policy.

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The remuneration policy is under continuous revision in order to ensure consistency between the remuneration for the management, Ambu's short and long-term goals and the shareholders' interests in general. In addition, the ongoing revision is to ensure that Ambu is competitive and able to retain and attract qualified members of the management at all times.

If the Remuneration Committee deems it necessary to revise the remuneration policy, the Remuneration Committee prepares a draft decision for the Board of Directors, which then makes a decision on a revision of the remuneration policy, if relevant, according to the Board of Directors' usual decision-making procedure.

If the Board of Directors adopts the Remuneration Committee's proposal to revise the remuneration policy, the revised remuneration policy is submitted to the shareholders for consideration and approval at the General Meeting.

Ambu's Executive Board is consulted in connection with the Remuneration Committee's considerations regarding a possible revision of the remuneration policy. However, as the remuneration for the Executive Board is the key element in the remuneration policy, the Executive Board has no decision-making power in relation to the remuneration policy. In Ambu's opinion, there is no risk of conflicts of interest in connection with the Board of Directors' work on the remuneration policy, as the members of the Board of Directors receive a fixed remuneration only and as the fixed remuneration for the Board of Directors in any case is approved at Ambu's Annual General Meeting. In addition, any significant amendment of the remuneration policy is approved by Ambu's shareholders at the General Meeting, which also contributes to minimising the risk of conflicts of interest.

### 2. Board of Directors

Members of the Board of Directors receive a fixed annual remuneration, which is approved by the Annual General Meeting each year. Members of the Board of Directors do not receive variable remuneration and are not part of share-based incentive schemes.

Members of the Audit Committee and the Remuneration Committee receive a supplementary fee for serving on these permanent committees. No separate fee is paid to members of the Nomination Committee.

The basic fees and the supplementary fees for serving on the committees for the coming financial year are presented for approval at Ambu's Annual General Meeting.

Members of the Board of Directors who have special ad hoc duties assigned to them may receive a separate fee, subject to prior or subsequent approval at the Annual General Meeting.

All costs incidental to attending board meetings abroad are reimbursed by Ambu, but expenses for meetings held in Denmark are not usually reimbursed.

The members of the Board of Directors' agreement on the directorship in Ambu runs for one year at a time, as the members are up for election each year at Ambu's Annual General Meeting. No special termination terms apply to members of the Board of Directors, including regarding compensation in the event of resignation from the Board of Directors.

There are no special retention and redundancy schemes for the members of the Board of Directors.

### 3. Executive Board

The remuneration for the Executive Board is determined by the Board of Directors based on market levels, Ambu's financial position and the competences, efforts and results of the individual members of the Executive Board. The remuneration consists of a fixed base salary, which is adjusted once a year, a cash bonus and participation in share-based incentive schemes based on options to buy Class B shares in Ambu.

The total remuneration for the Executive Board is composed of a number of different remuneration components which are listed in the table below. The relative share of the components depends on whether the KPIs for the variable remuneration for the Executive Board are realised, either fully or in part. The listing in the table illustrates the spread for the remuneration components' relative share of the total remuneration for the Executive Board, depending on the KPI levels, see clause 3.2:

Remuneration components for the Executive Board	Relative share		
	Threshold	On-target	Maximum
1 Fixed base salary	87%	45%	30%
2 Pension contributions	9%	5%	3%
3 Usual employee benefits	4%	2%	1%
4 Cash bonus	0%	9%	12%
5 Share-based payment	0%	39%	53%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

In addition, members of the Executive Board receive pension contributions and the usual non-cash benefits.

The balance between fixed and variable remuneration components and the composition of the variable components are intended to result in a suitable part of the salary being linked to performance, while underpinning sound, long-term business decisions.

Executive Board member's ordinary executive service agreements must to all intents and purposes be indefinite and must contain a mutual right of termination.

The notices of termination to be given by Ambu to members of the Executive Board cannot exceed 18 months, and the notice of termination to be given by the members of the Executive Board to Ambu cannot normally exceed nine months. Moreover, any severance pay to members of the Executive Board, for example in the event of a change of control, is subject to a maximum value corresponding to two years' remuneration. In the event of the death of an Executive Board member, the company will

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pay up to 18 months' remuneration to the relatives of such Executive Board member.

An Executive Board member's total value for the notice period, including severance pay, does not exceed a value corresponding to the total remuneration for the past two years.

The terms set out in separate agreements on variable remuneration are described in detail in clause 3.2.

### 3.1 Non-performance-related components

The fixed base salary is intended primarily to attract and retain executive officers with the professional and personal competences required to run Ambu. The fixed base salary of each member of the Executive Board is determined each year through individual negotiations.

Members of the Executive Board receive 10-12% in pension contributions. Other employees in Ambu will receive 10% in pension contributions with effect from FY 2018/19. Supplementary pension schemes or early retirement schemes are not part of the Executive Board's remuneration package.

Furthermore, members of the Executive Board receive usual non-cash benefits, e.g. a company car, insurance, newspaper, company-paid telephone and Internet access as well as payment of bridge tolls and ferry charges when travelling in Denmark.

### 3.2 Description of variable components

The variable remuneration components consist of a cash bonus and a share-based payment which depend on the financial results realised by Ambu.

Overall, the value of the Executive Board's variable remuneration is calculated on the basis of the following KPIs, which apply to both the cash bonus and the share-based payment:

- Organic growth reported at fixed exchange rates
- EBIT in Danish kroner (DKK)
- Free cash flows denominated in Danish kroner (only for cash bonus).

The financial KPIs are defined annually in connection with the budget process and apply to allocations for the following financial year. The financial KPIs are used in connection with both cash bonuses, see clause 3.3, and share-based payments, see clause 3.4. If deemed expedient by the Board of Directors, the KPIs for cash bonuses and share-based payments may differ.

As a general rule, the remuneration for the Executive Board is based solely on the realisation of financial KPIs.

For the purpose of calculating the result for each KPI, three levels have been defined:

KPI level	Impact on variable remuneration
Threshold	<ul style="list-style-type: none"> <li>• At this level, there is no earning or vesting of variable remuneration.</li> </ul>
On-target	<ul style="list-style-type: none"> <li>• On-target reflects the expected and satisfactory result and triggers variable remuneration.</li> </ul>

KPI level	Impact on variable remuneration
Maximum	<ul style="list-style-type: none"> <li>• Maximum reflects an ambitious but possible level which triggers variable remuneration.</li> </ul>

Allocation takes place proportionally based on the realisation of the financial KPIs. The earning or vesting of variable remuneration is thus reduced or lapses if the financial KPIs are only partially realised. If Maximum is achieved, double the level for On-target is earned or vested.

The financial KPIs which form the basis of the variable remuneration for the Executive Board are all linked to Ambu's business strategy. The short-term variable remuneration for the Executive Board (annual cash bonuses) is determined on the basis of a number of financial KPIs which reflect Ambu's financial outlook for the coming financial year. The Executive Board's long-term variable remuneration programmes (share option schemes) are in line with the overall goals which are based on Ambu's business strategy, particularly the Big Five 2020 strategy. The purpose of the close connection between Ambu's short and long-term strategies and the variable remuneration for members of the Executive Board is to ensure that the Executive Board works actively to realise the goals in Ambu's business strategy for the benefit of Ambu's long-term interests and sustainability.

The financial KPIs for the variable remuneration for the Executive Board are identical with Ambu's financial key figures, and the KPIs are therefore measured continuously and meticulously as part of Ambu's reporting to the market and particularly in connection with the presentation of the annual report. The measurability in respect of the Executive Board's realisation of the KPIs is thus transparent and verified by Ambu's auditor as part of the auditing of the annual report.

In connection with the acquisition of enterprises in the course of a financial year, the Board of Directors will on a case-by-case basis specifically evaluate how such acquisition can be incorporated in the best possible way into existing agreements on variable remuneration, including the possible correction of the financial KPIs. The acquired enterprise will normally be incorporated in the financial KPIs in the year following the acquisition.

In special cases, clawback of the variable remuneration for the Executive Board may be carried out, including in the event of the variable remuneration having been paid out based on information which subsequently turns out to be incorrect.

### 3.3 Cash bonus

Cash bonuses are allocated on an annual basis, but the allocation is conditional on the realisation of predetermined financial KPIs. The size of the cash bonus depends on the degree of realisation of the predetermined KPIs. The maximum cash bonus for each individual member of the Executive Board is equal to 20% of the fixed base salary based on the On-target realisation of targets, and up to 40% of the fixed base salary upon realisation of the Maximum level.

In addition, the Board of Directors has discretionary powers to each year decide whether to grant a discretionary

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cash bonus to any single member of the Executive Board. If this is the case, the size of the cash bonus may be a maximum of an additional 25% of the fixed base salary. Such cash bonus may, for instance, be granted in exceptional circumstances, or based on exceptional performance or the realisation of specific and exceptional results. It is not possible to determine the present value of any such discretionary cash bonuses. In the financial year in which such cash bonus is granted, the cost associated with the programme will appear from the annual report.

For regionally responsible sales managers, the bonus element can amount to up to 200% of the base salary. Ambu deems that this bonus opportunity is comparable with those existing in the markets affected.

### 3.4 Share-based payment

Share-based payment can be granted to members of the Executive Board in the form of share options ('Options'), the value of which is calculated according to the Black-Scholes formula at the time of allocation. No consideration is paid for the allocation of such Options.

It is a condition for the final allocation of Options that certain predetermined financial targets are realised, and the Options are vested gradually during the agreed vesting period, conditional upon the continued employment of the individual Executive Board member.

Each Option entitles the holder to buy one Class B share in Ambu with a nominal value of DKK 0.50 each or multiples thereof at a price per Class B share corresponding to the agreed strike price with the addition of 8% p.a. until the time of the final allocation.

Both the number of Options allocated and the exercise price may be adjusted in the event of certain capital transactions etc. and of large dividend payments. Also, the Options may be exercised early, for instance in the event of a change of ownership.

Any unexercised Options will lapse after the expiry of the exercise period, and Ambu is entitled to demand cash settlement of Options.

At the time of entry into force of this remuneration policy, Ambu has two share option schemes for which the vesting period is still ongoing. The schemes are:

- The Strategy 2020 scheme, which is based on Ambu's traditional share option scheme
- Big Five 2020 schemes which sole purpose is to focus on realising the financial targets laid down in Ambu's Big Five strategy.

Both share option schemes are described in further detail in clause 3.4.1 and clause 3.4.2.

#### 3.4.1 Ambu's traditional programme

Share-based payment is offered to the Executive Board, the Executive Management Team, regional managers and senior employees as well as other employees at the head office and in the subsidiaries. The list of the persons concerned is approved by the Remuneration Committee.

The allocation and calculation of Options are based on the following main principles:

- The programmes are three-year programmes comprising a conditional allocation for the first year at the time of conclusion of the agreement, and successive conditional allocations for the next two years, depending on the realisation of the financial targets.
- The vesting period for the individual Option is three years, which is followed by a three-year exercise period. The expiration date is thus six years after the allocation date.
- Standard rules on good and bad leavers apply.
- The exercise price for the Option is fixed as the market price at the time of the initial allocation with the addition of 8% and 8% p.a. for the subsequent two annual allocations.
- The number of Options vesting per year cannot exceed a value equating to 100% of the employee's fixed annual salary calculated according to the Black-Scholes formula.

To the extent deemed appropriate by the Board of Directors, one-year option schemes may be offered rather than three-year schemes for employees other than the members of the Executive Board.

Ambu's Strategy 2020 scheme is the only traditional share option scheme which, as at the time of the entry into force of the remuneration policy, still has an ongoing vesting period. The scheme is structured in the same way as the two former schemes from February 2013 and November 2015, involving the successive allocation of Options to a member of the Executive Board over three years, with one third being allocated each year. The following conditions apply to the Strategy 2020 scheme:

- a. The option agreement was entered into on 1 October 2017, which is the time of allocation.
- b. One third of the Options are vested in each of the financial years 2017/18, 2018/19 and 2019/20.
- c. The final allocation of each third takes place on 30 September in each of these financial years and is calculated in proportion to the realisation of the financial targets.
- d. The agreed KPIs are usually the same as the financial outlook announced for the year.
- e. The strike price is based on the weighted average market price on 14 December 2017 and the following four business days. For each of the three portions allocated, the strike price is then calculated as this average market price with the addition of 8% p.a., calculated from 1 October 2017 until the end of the financial year to which the allocation relates.
- f. The Options are vested two years after their final allocation, and the exercise period is then three years.
- g. For each financial year, the Options allocated may constitute up to 50% of the fixed base salary based on the On-target realisation of the financial targets.

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- h. If Maximum targets are realised, the allocation for each financial year may constitute up to 100% of the fixed base salary.

### 3.4.2 Share-based payment – scheme earmarked for the Big Five 2020 strategy

In order to specifically create incentives for the activities planned during the three-year Big Five 2020 strategy, which was launched on 1 October 2017, the Annual General Meeting approved the establishment of a special share option scheme in December 2017 which is earmarked for the Big Five 2020 strategy. The scheme is therefore referred to as 'Big Five 2020' and is offered solely to the Executive Board and the other members of the Executive Management Team.

The allocation of Options under the Big Five 2020 scheme takes place at the end of FY 2019/20, as the growth target is the average growth (CAGR) realised during the three-year strategy period, and the EBIT margin target is the earnings realised in FY 2019/20.

The following conditions apply to the Big Five 2020 scheme:

- a. The option agreement was entered into on 1 October 2017, which is the time of allocation.
- b. The Options are vested over the three-year strategy period and will be finally allocated on 30 September 2020.
- c. The strike price is determined on the basis of the weighted average market price on 14 December 2017 and the following four business days with the addition of 8% p.a., calculated as from 1 October 2017 and until 30 September 2020.
- d. The allocation for the three-year strategy period may constitute up to 150% of the fixed base salary of the individual member of the Executive Board based on the On-target realisation of the financial targets defined in the Big Five strategy.
- e. If the Maximum targets defined in the strategy are realised by the end of 2020, the allocation for the three-year strategy period may amount to up to 300% of the fixed base salary of the individual member of the Executive Board.
- f. The options can be exercised for a period beginning on 1 October 2021 and ending on 30 September 2024.

The KPIs for the final allocation of share options under the Big Five 2020 scheme are determined specifically on the basis of the Big Five 2020 strategy, and the scheme thus contributes directly to Ambu's long-term value creation and sustainability.

### 4. Amendments

This remuneration policy is an update of Ambu's remuneration policy adopted at Ambu's Annual General Meeting on 13 December 2017.

The reason for the amendment of the remuneration policy arises out of a number of new requirements for the content of the remuneration policy, as laid down partly in

the Recommendations on Corporate Governance (of 23 November 2017) and partly in the Shareholders' Rights Directive, which will be implemented in Danish legislation in 2019. In order to create the greatest possible transparency in relation to the remuneration for the management, Ambu has decided to meet these new requirements for the remuneration policy, irrespective of the fact that Ambu is not obliged to comply with the requirements at the time of the entry into force of the remuneration policy.

In relation to the remuneration policy of 13 December 2017, Ambu has only implemented amendments resulting from the new requirements set out in the Recommendations on Corporate Governance and the Shareholders' Rights Directive, with Ambu, however, also having implemented a number of editorial changes as well as format changes. However, to all intents and purposes, the remuneration policy corresponds to the remuneration policy approved by the Annual General Meeting on 13 December 2017.

### 5. Approval and publication

The remuneration policy has been prepared in accordance with section 139 of the Danish Companies Act, the Recommendations on Corporate Governance (of 23 November 2017) and the provisions of the Shareholders' Rights Directive (Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017).

The remuneration policy is available on the Ambu website [www.ambu.com](http://www.ambu.com) for as long as it is applicable.

The remuneration policy was discussed and approved at Ambu's Annual General Meeting on 12 December 2018.

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Chairman of the meeting