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Remuneration policy, incl. guidelines for incentive programs

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1. Introduction

1.1. Background

Columbus A/S' remuneration policy covers the general guidelines for remumeration, consisting of fixed remuneration and incentive pay for members of the Board of Directors in Columbus A/S and Executive Board in Columbus A/S and subsidiaries (Columbus). Executive Board refers to executives registered with the Danish Business Authority, or similar authorities in foreign countries as executives in Columbus A/S' domestic or foreign subsidiaries.

In accordance with Section 139b of the Danish Companies Act, the Board of Directors of a listed company must, before entering into a specific incentive agreement with a member of the Board of Directors or the Executive Board, specify overall guidelines for the company's incentive programs for the Board of Directors and Executive Board. This remuneration policy also covers these overall guidelines.

In addition, reference is made to section 4.1 in Recommendations for Corporate Governance regarding form and content of the remuneration policy.

The remuneration policy must be considered and adopted by the general meeting of the company before being put into practice in specific agreements with the concerned executives. The adoption of the guidelines for incentive programs by the general meeting have been included in the Articles of Association of the company, cf. section 139b of the Danish Companies Act. If the general meeting decides to change these guidelines in the future, the revised guidelines will also, without undue delay, be published on the company's website (www.columbusglobal.com) with statement of date of adoption of changes. This remuneration policy was adopted by the general meeting on 24 April 2018.

1.2. Connection between the remuneration policy and the Company's long-term value creation

The overall objective with Columbus' remuneration policy is to ensure that Columbus will constantnly be able to attract, motivate and retain qualified members of the Board of Directors and the Executive Board. Thus, the total remuneration must be competitive in terms of level and composition.

In order to encourage common interests for the company's shareholders, Board of Directors and the Executive Board and to meet short-term as well as long-term goals, Columbus considers it appropriate to set up incentive programs for the Executive Board and the Board of Directors in Columbus in addition to the fixed remuneration. Columbus also considers incentive programs a considerable competitive parameter to attract and retain the best executives. Bonus schemes, performance contracts or similar schemes for the Executive Board are used in order to achieve short-term goals. Share-based instruments to the Board of Directors and Executive Boards as well as other incentive programs to the Executive Board are used to ensure achievement of long-term goals and to create common interests for Columbus' shareholders and management.

The fixed parts of the remuneration must therefore be at such a level that a strong incentive to obtain a higher total remuneration is generated by achieving the incentive-based parts of the remuneration.

When allotting incentive-based components of remuneration, Columbus will ensure the opportunity for 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.

1.3. Transparency

Incentive pay for members of Columbus's Board of Directors and Executive Board appears from the annual report. Incentive programs will be announced in accordance with Nasdaq's disclosure requirements.

2. Remuneration Executive Board

2.1. Reasons and criteria for choosing remuneration components

The Executive Board receives a fixed remuneration. In addition to the fixed remuneration, other benefits such as pension contribution, company car, insurances and other normal benefits related to local conditions may be agreed to cover the Executive Board member's daily performance. Furthermore, an allowance or reimbursement of additional costs related to stationing is offered.

After the adoption of this remuneration policy, no agreements will be made in which the total value of the remuneration during the notice period, including severance pay, exceeds two years of remuneration, including all components of the remuneration.

In addition to the fixed remuneration, incentive programs may be allotted. Incentive programs may comprise any form of variable remuneration, including share-based instruments such as share options, warrants and phantom shares as well as non share-based bonus schemes - both ongoing, single-based and event-based.

Whether an incentive program is established in addition to the fixed remuneration – and which agreements to specifically include – will depend on whether the Board of Directors considers it expedient in order to encourage common interests for Columbus's management and shareholders. In addition, historic and expected performance of the management, motivation and loyalty concerns and the general situation and development of the company will also be taken into consideration.

The Board of Directors may change or terminate one or more incentive programs introduced according to these guidelines. When assessing whether to terminate incentive programs the criteria on which the establishment of the program was based will be included. However, such changes can only take place within the framework of these guidelines.

2.2. Maturity periods

The maturity of the individual incentive programs is decided by the Board of Directors under the consideration that the incentive should be achievable within reasonable time, but also considering retention and loyalty as key parameters in the company's decision to allot incentive programs in order to ensure that incentive pay does not only consist of short-term remuneration, but also of long-term components with a maturity period of three years. As a general rule, share-based incentive programs are granted with a maturity period of one to three years after allotment. Thus, 1/3 of the program matures and may be exercised one year after allotment, 1/3 matures after two years and may be exercised two years after allottment, and the last 1/3 matures after three years and may be exercised three years after allottment. Allotment and maturity is conditional on continuous employment.

2.3. Share-based instruments

The carrying amount, based on black scoles (or other methods for valuation of share-based payments), of the share-based instruments allotted in a given financial year may be up to 50% of the fixed annual remuneration of the individual executive.

The exercise price of the share-based instrument cannot be less than the share price of the company's share at the time of the allotment. The executive will not pay for the share-based instrument unless the Board of Directors specifically decides otherwise.

The estimated carrying amount of the share-based incentive programs that are subject to these guidelines is calculated in accordance with the International Financial Reporting Standards (IFRS).

The allotment may take place on tax conditions which means that the executive's capital gain is subject to a tax rate lower than normal provided that the company is not allotted any tax deduction for the expenses related to the allotment.

Where, as part of a share-based incentive program, Columbus has to obtain shares in order to meet its obligations under the incentive program, such shares may be obtained through issuance of warrants, a buyback of own shares and through Columbus's holding of own shares.

2.4. Non share-based instruments

A non share-based instrument, most often in the form of a bonus scheme or a performance contract typically has a term of one or several years and/or may be subject to a specific event occurring in relation to Columbus. Non share-based instruments may also include retention bonus, loyalty bonus or the like. Bonus payments are conditional upon compliance in full or in part with the terms and targets clearly defined in the agreement. These may comprise personal targets linked to the performance of the executive in question, Columbus's results, the results of one or more business units under Columbus or the occurrence of a relevant event.

Ongoing bonus schemes for the Executive Board allow members to receive a bonus per financial year of up to 70% of the member's fixed annual remuneration.

Where circumstances are deemed to be quite extraordinary by the Board of Directors, Executive Board members may receive a bonus of up to 100% of the fixed annual remuneration.

Where circumstances are deemed extraordinary by the registered Board of Directors, Executive Board members in Columbus A/S may also receive a loyalty bonus schemes conditional on one or more events occurring. The total value of such bonus schemes cannot exceed 7% of the company's annual increase in market capitalization. Such schemes may be allotted in addition to other incentive schemes.

3. Remuneration Board of Directors

3.1. Reasons and criteria for choosing remuneration components

Members of the Board of Directors in Columbus A/S receive a fixed annual basic remuneration. The Chairman of the Board receives triple basic remuneration. The Chairman of the Audit Committee receives and additional remuneration of 50% of the basic remuneration, and other members of the Audit Committee receives an additional remuneration of 25% of the basic remuneration. In addition potential travel expenses related to board meetings are reimbursed.

In addition, the Board of Directors may allot share-based instruments, if the Board of Directors considers it expedient in order to encourage common goals for Columbus's management and shareholders.

3.2. Share-based instruments

For the Board of Directors the total number of share-based instuments allotted cannot exceed 120,000 per year per board member.

As a general rule, share-based incentive programs are granted with a maturity period of one to three years after allotment. Thus, 1/3 of the program matures and may be exercised one year after allotment, 1/3 matures over two years and may be exercised two years after allottment, and the last 1/3 matures after three years and may be exercised three years after allottment. Allotment and maturity is conditional on continous Board membership.

The exercise price of the share-based instrument cannot be less than the share price of the company's share at the time of the allotment. The executive will not pay for the share-based instrument unless the Board of Directors specifically decides otherwise.

The estimated carrying amount of the share-based incentive programs that are subject to these guidelines is calculated in accordance with the International Financial Reporting Standards (IFRS).

The allotment may take place on tax conditions which means that the Board member's or the executive's capital gain is subject to a tax rate lower than normal provided that the company is not granted any tax deduction for the expenses related to the allotment.

Where, as part of a share-based incentive program, Columbus has to obtain shares in order to meet its obligations under the incentive program, such shares may be obtained through issuance of warrants, a buyback of own shares and through Columbus's holding of own shares.