

**H. Lundbeck A/S**  
**Remuneration Committee**  
**Terms of Reference**

March 2016

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## **1 INTRODUCTION**

- 1.1 The Remuneration Committee has been established by the Board of H. Lundbeck A/S (Company) and applies to the Company and its subsidiaries (Group) to support and advise the Board in fulfilling its responsibilities to shareholders, employees and other stakeholders of the Company by endeavouring to ensure that:
  - 1.1.1 the directors and Executive Management are remunerated fairly and appropriately;
  - 1.1.2 the Group's remuneration policies and outcomes balance the interests of the Company's shareholders against rewarding and motivating the Group's executives and employees in order to secure their energy and loyalty long term; and
  - 1.1.3 the remuneration policies, practices, nomination and succession planning are consistent with and support the strategic direction and objectives of the Company as determined by the Board.

## **2 MEMBERSHIP**

- 2.1 The Committee shall consist of not less than three and not more than five members of the Board of Directors. Notwithstanding any vacancy in the Committee, the continuing members of the Committee may act so long as the number of members of the Committee does not fall below two for a period exceeding three months.
- 2.2 The Board shall appoint the members of the Committee. Appointment usually takes place at the Board Meeting following the Annual General Meeting, and members shall be Directors whose nominations for such appointment have been reviewed and approved by the Board. Members of the Remuneration Committee are elected for a one-year term. The Board may reappoint any member of the Committee at any time. The Board of Directors can remove any member of the Remuneration Committee at any time.
- 2.3 The members of the Committee shall elect a Chairman of the Committee who is not an Executive Director or employee of the Group or any related corporation and whose nomination as Chairman of the Committee has been reviewed and approved by the Board.

- 2.4 Each member of the Committee shall hold office until the next Annual General Meeting following that member's appointment or reappointment. The retiring Chairman of the Committee and other members of the Committee shall, subject to the preceding paragraphs, be eligible for reappointment.
- 2.5 If the number of members falls below three, the Board shall endeavour to fill the vacancy within two months and in any case the Board shall within three months of such event appoint any Director or Directors whose nominations have been reviewed and approved by the Board as a member or members as may be required to make up the minimum number of three members.

### **3 INDEPENDENCE**

- 3.1 No member of the Committee shall be:
  - 3.1.1 an Executive Director of the Group or any related corporation;
  - 3.1.2 a spouse, parent, brother, sister, son or adopted son, daughter or adopted daughter of an Executive Director of the Group or of any related corporation; or
  - 3.1.3 an affiliated person of the Group; or
  - 3.1.4 a receiver of any consulting, advisory or other compensatory fee from the Group, other than the fee as member of the Board of Directors, the Audit Committee and the Remuneration Committee for the Group, or other compensation agreed to by the Board;
  - 3.1.5 any person having a relationship which in the opinion of the Board would interfere with the exercise of independent judgement in carrying out the functions of the Committee.
- 3.2 A Director may be considered independent if any relationship he may have would not, in the individual case, be likely to affect the Director's exercise of independent judgement.

## 4 MEETINGS AND ATTENDANCE

- 4.1 The Committee shall meet as often as it deems necessary, however not less than 3 times a year. Any member of the Committee may call a meeting. The CEO and the Head of HR will help the Chairman prepare agenda and meetings and participate in meetings most of the time, however for selected executive compensation issues it's expected that the Committee will deliberate without management being present.
- 4.2 If needed, a Committee resolution may be passed over the phone or in writing. In such cases the proposed resolution shall be forwarded to the members, and the Chairman shall subsequently seek to obtain a written, oral or electronically transferred statement from all members of the Remuneration Committee and arrange for the recording of the resolution in the minute book.
- 4.3 Each member of the Remuneration Committee shall have one vote.
- 4.4 No business shall be transacted at a meeting unless at least two members of the Committee are present.
- 4.5 At all meetings of the Committee, the Chairman of the Committee, if present, shall preside. If the Chairman of the Committee is absent, the members present at the meeting shall elect a Chairman of the meeting.
- 4.6 The Corporate Secretariat & Project Office shall be the secretary to the Committee (hereinafter called "the Secretary"). The Secretary shall be in attendance at Committee meetings, and a record of the proceedings shall be kept. The Secretary shall have responsibility for circulating minutes of each meeting to all members.
- 4.7 Following each meeting the Chairman will report to the Board on any matter that should be brought to the Board's attention, and on any recommendation of the Committee that requires Board approval or action.
- 4.8 In addition to above the Remuneration Committee will:
  - 4.8.1 investigate any matter brought to its attention, within the scope of its duties, with the power to obtain independent professional advice;
  - 4.8.2 call any member of staff to be questioned at a meeting of the Committee as and when required.

## 5 FUNCTION

- 5.1 The Remuneration Committee is required to review and make recommendations to the Board about items listed in section 5.2-5.6:
- 5.2 Executive Management and other direct reports
  - 5.2.1 CEO remuneration;
  - 5.2.2 Level and principles of remuneration (base Salary, pension, bonus and LTI) and criteria for assessing performance;
  - 5.2.3 Review of the remuneration including changes – if any - to base Salary, pension; bonus and LTI grant;
  - 5.2.4 Annual individual performance plans;
  - 5.2.5 Individual accomplishments relative to the performance plan and subsequent payout in bonus plan;
  - 5.2.6 Act as a reference committee in hiring and terminations;
  - 5.2.7 Any change to the remuneration or contract terms;
  - 5.2.8 Any termination settlement. A termination payment to any other departing executive must be reported to the Committee at its next meeting.
  - 5.2.9 Succession management
- 5.3 Board of Directors
  - 5.3.1 Remuneration of directors;
  - 5.3.2 Remuneration of committees;
  - 5.3.3 the Committee will request management and/or external consultants to provide necessary information upon which the Board may make its decisions.
- 5.4 Policies and disclosures
  - 5.4.1 changes in remuneration policy and practices;
  - 5.4.2 employee equity plans and allocations under such plans;
  - 5.4.3 disclosure of remuneration requirements in the Company's public materials including OMX filings and the annual report;

- 5.4.4 terms of remuneration for the directors of the Board for subsequent approval by the shareholders at the Annual General Meeting (AGM).
- 5.5 Employee share, option and other equity based plans
  - 5.5.1 review and make recommendations to the Board regarding the design of all equity based plans;
  - 5.5.2 keep all plans under review in the light of legislative, regulatory and market developments;
  - 5.5.3 for each such plan, determine each year whether awards shall be made under that plan;
  - 5.5.4 review and make recommendations to the Board regarding proposed aggregate and individual awards under each plan;
  - 5.5.5 review, make recommendations to the Board and keep under review performance measures for each equity based plan;
  - 5.5.6 the design of any new equity or share plan or executive incentive or option plan, or the amendment of any existing equity or share plan or executive incentive or option plan.
- 5.6 The Remuneration Committee shall act in accordance with the Grandfather Principle (see item 8) in regards to other Senior Management with direct reference to the CEO (hereinafter “Other Senior Management”).

## **6 CHAIRMAN’S RESPONSIBILITY**

- 6.1 To manage the Committee’s agenda during the year and make sure that relevant topics are discussed and analysed at a satisfactory level.
- 6.2 On a regular basis inform the Board on discussions and recommendations made in the Committee.

## **7 WRITTEN OR CIRCULATING RESOLUTION**

- 7.1 Any resolution in writing, signed or assented to by all the members of the Committee present in Denmark shall be as valid as if it had been passed at a meeting of the Committee duly called and constituted and may consist of several identical documents each signed by one or more of the members of the Committee.
- 7.2 The expressions “in writing” and “signed” include approval by e-mail and fax by any such member of the Committee.

## **8 THE GRAND FATHER PRINCIPLE**

- 8.1 A major decision has to be approved by the manager's manager (the "grandparent").
- 8.2 Consequently, The Remuneration Committee also approves all decisions made by the CEO concerning personal compensation and benefits to “Other Senior Management”.

## **9 AMENDMENT**

- 9.1 The Board of Directors must approve this Charter of the Remuneration Committee.
- 9.2 The Terms of Reference shall be reviewed once a year and changed as needed. Significant changes and additions to these Terms of References shall be presented to the Board of Directors for approval.

Valby, 31 March 2016