

H. Lundbeck A/S



APPROVED BY THE BOARD OF DIRECTORS ON 5 FEBRUARY 2020

H. Lundbeck A/S – Remuneration & Nomination Committee – Terms of Reference

1. Introduction and definitions

- 1.1 The Remuneration & Nomination Committee (the “**Committee**”) is a board committee established by Lundbeck’s Board of Directors (the “**Board**”) in accordance with Section 7 of the Rules of Procedure for the Board and the Recommendations for Corporate Governance dated November 2017 (the “**Recommendations**”), recommendations no. 3.4.1, 3.4.2, 3.4.6, 3.4.7, 3.4.8 and 3.5.

2. Members

- 2.1 The Committee shall consist of not less than three (3) and not more than five (5) members of the Board. Notwithstanding any vacancy in the Committee, the continuing members, however, as a minimum two (2), of the Committee may act so long as the number of members of the Committee does not fall below three (3) for a period exceeding nine (9) months.
- 2.2 The Board shall appoint the members of the Committee and its chairman. Appointment usually takes place at the Board meeting following Lundbeck’s Annual General Meeting.
- 2.3 In accordance with Recommendation 3.4.2 the Board will endeavor that the majority of the members of the Committee are independent as defined in Recommendation 3.2.1.
- 2.4 Members of the Committee are elected for a one-year term. The Board may re-appoint any member of the Committee at any time. The Board can remove any member of the Committee at any time.
- 2.5 With the exception of agenda items reserved for the Committee’s internal discussion, the CEO and the Executive Vice President, People & Communication, attend the Committee’s meetings and may speak, without voting rights. The Committee can also invite other members of the Executive Management and relevant Lundbeck employees to attend the meetings.

3. Meetings, the chairman’s duties and reporting to the Board

- 3.1 The chairman shall during the year ensure that relevant topics are on the Committee’s agenda and discussed and analysed at a satisfactory level.
- 3.2 The Committee shall meet as often as it deems necessary, however not less than three (3) times a year. Any member of the Committee may call a meeting. The CEO and the Executive Vice President, People & Communication, or any persons appointed by them, will help the chairman prepare the agenda and the meetings.
- 3.3 Meetings must be convened by the chairman, or any person appointed by the chairman, in writing at no less than seven (7) days’ notice. The chairman may give a shorter notice if any matter requires fast decision-making.
- 3.4 Each member of the Committee shall have one vote. No business shall be transacted at a meeting unless at least two members of the Committee are present. Resolutions are passed with simple majority.

- 3.5 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.
- 3.6 If needed, a Committee resolution may be passed over the phone or in writing (including via e-mail). 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 Committee and arrange for the recording of the resolution in the minute book. Any resolution in writing, signed or assented by all members of the Committee shall be as valid as if it had been passed at a meeting of the Committee duly called and constituted.
- 3.7 Records of the meetings shall be kept. The Committee may from time to time appoint a secretary to the Committee with the role of recording proceedings and circulating minutes of the meetings to all members.
- 3.8 The chairman shall after each meeting 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. Overall role and responsibilities

- 4.1 The Committee's overall role is – within its area of responsibility - to support, advise and assist the Board in fulfilling its responsibilities to shareholders, employees, and other stakeholders of Lundbeck.
- 4.2 The Committee will in accordance with the Recommendations carry out preparatory work prior to processing in the Board. The Committee will ensure that all significant information that is required by all members of the Board is communicated to the Board and that the necessary processing in the Board is not limited or omitted. The Board remains fully responsible for all decisions prepared by the Committee.
- 4.3 The Committee will in accordance with the comments to Recommendations 3.4.6 and 3.4.7 consider getting external assistance in the preparation of incentive pay schemes and when suggesting candidates to the Board. On matters related to remuneration the Committee will in accordance with Recommendation 3.4.8 not consult with the same external advisors as the Executive Management of Lundbeck.
- 4.4 Significant decisions must be approved by the 'manager's manager'. Consequently, the Committee shall approve all decisions made by the CEO concerning personal compensation and benefits to Executive Management members and employees reporting directly to the CEO.

5. Remuneration - work tasks and function

- 5.1 In accordance with Recommendation 3.4.7, the Committee shall be responsible for preparatory tasks related to:
- a) Recommending and assisting with relevant remuneration policies and remuneration reports, including **(i)** such policies and reports as required by the Danish Companies Act and surrounding legislation from time to time; and **(ii)** a remuneration policy applicable for the Lundbeck Group in general;

- b) Making proposals to the Board on remuneration for members of the Board and the Executive Management;
- c) Securing that the remuneration is in compliance with Lundbeck's remuneration policy and the assessment of the performance of the persons concerned.

5.2 The Committee will further ensure:

- a) that the Board and the Executive Management are remunerated fairly and appropriately;
- b) that the Lundbeck Group's remuneration policies and outcomes balance the interests of Lundbeck's shareholders against rewarding and motivating the Group's Executive Management and employees in order to secure their energy and loyalty long term;
- c) that the remuneration policies, practices, nomination and succession planning are consistent with and support the strategic direction and objectives of Lundbeck as determined by the Board;
- d) compliance with disclosure requirements related to remuneration set out in Lundbeck's public materials, including NASDAQ OMX filings, the Recommendations, the Danish Companies Act and the annual report; and
- e) terms of remuneration for the Board members for subsequent approval by the shareholders at the Annual General Meeting.

5.3 The Committee will review and provide recommendations to the Board regarding:

5.3.1 Executive Management remuneration

- a) Executive Management (including CEO) remuneration;
- b) Level and principles of remuneration (base salary, pension, bonus and LTI) and criteria for assessing performance;
- c) Review of the remuneration including changes – if any - to base salary, pension; bonus and LTI grant;
- d) Annual individual performance plans;
- e) Individual accomplishments relative to the performance plan and subsequent payout in bonus plan;
- f) Act as a reference committee in hiring and terminations;
- g) Any change to the remuneration or contract terms; and
- h) Any termination settlement. A termination payment to any other departing executive must be reported to the Committee at its next meeting.

5.3.2 Board of Directors

- a) Remuneration of members of the Board; and
- b) Remuneration of members of the committees.

5.3.3 Employee share-, option-, and other equity plans

- a) review and make recommendations to the Board regarding the design of all equity-based plans;
- b) keep all plans under review in the light of legislative, regulatory and market developments;
- c) for each such plan, determine each year whether awards shall be made under that plan;

- d) review and make recommendations to the Board regarding proposed aggregate and individual awards under each plan;
- e) review, make recommendations to the Board and keep under review performance measures for each equity based plan; and
- f) 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.

6. Nomination - work tasks and function

6.1 In accordance with Recommendations 3.1.3, 3.4.6 and 3.5, the Committee shall be responsible for the following preparatory tasks related to nomination:

- a) Establish and maintain a transparent and thorough process approved by the Board for selection and nomination of new Board candidates
- b) Describing and specifying the qualifications required by the Board and the Executive Management and for a given position, indicating the time expected to be spent carrying out a specific position, as well as assessing competencies, knowledge and experience found in the Board and the Executive Management;
- c) Annually assess the structure, size, composition and results of the Board, the Executive Management and the committees and recommend any changes to the Board;
- d) Annually assess the competencies, knowledge, experience, succession of the individual members of the Executive Management, and report to the Board in this respect.
- e) Recommending candidates for the Board and the Executive Management and consider proposals for any changes from the shareholders, members of the Board or the Executive Management, or other relevant person;
- f) Propose an action plan to the Board on the future composition of the Board, including proposal for specific changes; and
- g) Making sure that the evaluation of the Board and its individual members (Recommendation 3.5.1); evaluation of the Executive Management (Recommendation 3.5.2); and the evaluation of the cooperation between the Executive Management and the Board (Recommendation 3.5.3) are carried out.

7. Publication, approval and amendments

7.1 In accordance with Recommendation 3.4.1 the following information will be published on Lundbeck's website:

- a) These Terms of Reference;
- b) The most important activities of the Committee during the year and the number of meetings held by the Committee; and
- c) The names of the members of the Committee, including the chairman, as well as information regarding which members are independent members and which members have special competencies.

7.2 These Terms of Reference has been approved by the Board on 13 August 2019 and will be reviewed once a year in February or March and changed as needed. Changes require approval by the Board.