

LUNDBECK REMUNERATION REPORT 2019

REMUNERATION REPORT

Remuneration is a key lever in recruiting, motivating and retaining our high-performance leaders and supporting our strategic goals. The objective of our remuneration guidelines is to ensure this and to align the interest of our Executive Management and Board of Directors with the interest of our shareholders.

The remuneration guidelines aim to find the right balance between fixed and incentive-based remuneration and to reward Management for both company and individual performance. The remuneration guidelines can be found at: <https://lundbeck.com/global/about-us/corporate-governance/remuneration>.

REMUNERATION STRUCTURE FOR EXECUTIVE MANAGEMENT*

The remuneration structure for registered members of the Executive Management consists of a fixed salary, a cash-based short-term incentive scheme (STI), a share-based long-term incentive scheme (LTI), pension payments and other benefits. The two incentive schemes are described in more details below.

The Cash-Based Short-Term Incentive Scheme (STI)

The members of the Executive Management participate in a cash-based short-term incentive scheme (STI) that provides an annual bonus for the achievement of predetermined targets. The STI performance measure is based on 70% company financial performance and 30% individual performance. The company performance is measured with an EBIT target and revenue target with base target being the middle of the financial guidance range.

The CEO is entitled to receive a maximum of 14 months' worth of fixed salary as STI bonus.

Other members of the Executive Management may receive up to a maximum of 6 months' worth of base salary.

The Board of Directors approves objectives and assesses the performance of the Executive Management annually.

The Share-Based Incentive Scheme (LTI)

The members of the Executive Management participate annually in a share-based incentive scheme (LTI). The instruments granted in the program are restricted share units (RSUs) or restricted cash units (RCUs).

The CEO may participate with an awarded value of LTI for the grant year of up to a maximum of 12 months of fixed salary at the time of grant. Other members of Executive Management may participate with an awarded value of LTI of up to 6 months of fixed salary at the time of grant. As described in Article 3.2.4 of Lundbeck's remuneration guidelines the maximum grant for 2019 was 16 months for the CEO and 12 months for the other management members due to special circumstances.

The RSUs and RCUs have a vesting period of three years, after which each RSU entitles the holder to receive one share free of charge and each RCU entitles the holder to receive a cash payment in the amount of the market price for one share in Lundbeck at time of vesting. The vesting is subject to Board of Directors evaluation of a predetermined EBIT target and the Executive Management member's continuous employment at Lundbeck during the vesting period. The Board of Directors may decide that the continuous employment prerequisite shall not apply in certain situations. Moreover, the Board of Directors has decided that this prerequisite shall not apply to the CEO in certain 'good leaver' situations.

*Remuneration report for the Executive Management registered with the Danish Business Authority

REMUNERATION FOR EXECUTIVE MANAGEMENT IN 2019

The remuneration paid to Lundbeck's CEO, **Deborah Dunsire** totaled DKK 21.2 million in 2019. The fixed salary for the period amounted to DKK 9.4 million being 44% of the total remuneration in 2019. The cash bonus (STI) totaled DKK 9.0 million, corresponding to 96% of the maximum bonus. The bonus percentage reflects an exceptional company performance in 2019 where Lundbeck delivered above expectations on both EBIT and Revenue when adjusting for one-offs relating to the acquisitions made in the year. The company financial target and bonus achievement is the same for all members of Executive Management. The score for the CEO's individual targets was a result of successful execution and implementation of the Expand and Invest to Grow strategy. According to the employment agreement with Deborah Dunsire, Lundbeck will pay the difference in taxation on investment return from personal assets between the US and Denmark. This tax compensation totals DKK 36 million in 2019.

The remuneration paid to Lundbeck's CFO, **Anders Götzsche** totaled DKK 10.2 million in 2019. The fixed salary element was DKK 4.9 million making up 48% of the total remuneration in 2019. The cash bonus (STI) totaled DKK 2.3 million, corresponding to 93% of the maximum bonus. The score for the CFO's individual targets was affected by his role in the successful execution and implementation of the Expand and Invest to Grow strategy as well as securing high global compliance.

The remuneration paid to **Jacob Tolstrup**, EVP Commercial Operations, totaled DKK 8.3 million in 2019. His fixed salary for the period amounted to DKK 3.8 million amounting to 46% of the total remuneration in 2019. The cash bonus (STI) totaled DKK 1.8 million, corresponding to 92% of the maximum bonus. This bonus achievement was results from the successful driving of profitable sales growth for strategic products as well as supporting the successful execution and implementation of the Expand and Invest Grow strategy.

Lars Bang, EVP Product Development & Supply, received a remuneration in 2019 totaling DKK 8.9 million. His fixed salary for the period amounted to DKK 4.0 million making up 45% of the total remuneration in 2019. The cash bonus (STI) totaled DKK 1.8 million, corresponding to 92% of the maximum bonus. This bonus achievement is the result of a reliable and cost-efficient supply chain in 2019.

Johan Luthman, EVP Research & Development, joined H. Lundbeck A/S in February 2019. The remuneration to Johan Luthman totaled DKK 6.2 million in 2019. His fixed salary for the period amounted to DKK 3.2 million being 52% of the total remuneration in 2019. The cash bonus (STI) totaled DKK 1.6 million, corresponding to 92% of the maximum bonus. This bonus achievement was a result from successful development of the R&D pipeline from early to late stage, which supports the Expand and Invest to Grow strategy.

In 2019, all registered members of the Executive Management were granted LTI in accordance with the share-based incentive program. The value of the granted LTI-programs is the market value of the scheme at the time of grant distributed over the vesting period.

The table below comprises an overview of the remuneration structure and remuneration to the members of the Executive Management in 2017-2019.

OVERVIEW OF REMUNERATION FOR THE REGISTERED EXECUTIVE MANAGEMENT 2017-2019

DKKm	DEBORAH DUNSIRE PRESIDENT & CEO			ANDERS GÖTZSCHE* EVP & CFO			JACOB TOLSTRUP EVP, COMMERCIAL OPERATIONS			LARS BANG EVP, PRODUCT DEVELOPMENT & SUPPLY			JOHAN LUTHMAN** EVP, R&D			OBJECTIVE	REMUNERATION LEVEL	PERFORMANCE MEASURE
	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017			
Fixed Salary	9.4	3.4	-	4.9	5.9	4.3	3.8	3.7	2.6	4.0	3.8	3.8	3.2	-	-	Attract and retain qualified experts.	Competitive salary levels compared to peers with salary benchmarking.	N/A
Cash-bonus (STI)	9.0	3.3	-	2.3	3.8	2.3	1.8	1.8	1.7	1.8	1.8	1.7	1.6	-	-	To promote actions to achieve Lundbeck's aspirations and to create a clear link between value creation and payment.	The Executive Management are entitled to receive STI at a remuneration level set out in the general description above.	A combination of financial targets (70%) and individual targets (30%).
Pension	-	-	-	1.3	1.5	1.1	1.0	1.0	0.7	1.0	1.0	1.0	0.8	-	-	N/A	Includes both a pension and an insurance coverage associated part totalling 26.1% of fixed salary.	N/A
Other benefits	0.1	-	-	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	-	-	N/A	The members of the Executive Management are entitled to a company car and other benefits in accordance with company policy.	N/A
Equity- and cash-settled incentive programs	2.7	0.2*	-	1.5	0.9	1.5	1.5	1.1	0.9	1.9	1.7	1.4	0.5	-	-	Reward long-term value creation and align the Executive Management's interests with those of the shareholders.	The Executive Management are entitled to receive LTI at a remuneration level set out in the general description above.	Grant based on achieving Group EBIT performance.
Severance pay or Retirement package	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A	If a member of the Executive Management is terminated by the company, the person is entitled to salary during the notice period (18 months for the CFO, 12 months for other members). In addition to salary during the notice period, the CEO is entitled to 12 months' severance pay.	N/A
Total, DKKm	21.2	6.9	-	10.2	12.3	9.4	8.3	7.8	6.1	8.9	8.5	8.1	6.2	-	-		Total remuneration	

Tax equalization

According to the employment agreement with Deborah Dunsire, Lundbeck will pay the difference in taxation on investment return from personal assets between the US and Denmark. This tax compensation totals DKK 36 million in 2019.

*Anders Götzsche was interim CEO from November 2017 to August 2018.

**Johan Luthman joined H. Lundbeck A/S in February 2019.

REMUNERATION FOR THE BOARD OF DIRECTORS

At the Annual General Meeting in March 2019, the Board of Directors' remuneration was approved. It was approved to keep the Board of Directors general fixed annual fee of DKK 350,000 unchanged from 2018 however offering members with permanent residence outside Europe an additional fee of DKK 350,000 as travel allowance.

The board members receive a fixed annual fee while the Chairman receives three times the fixed annual fee and the Deputy Chairman double the fixed annual fee.

Board members receive additional remuneration for their work in Board Committees. The members' travel expenses are covered by the company.

Members of the Board of Directors do not participate in bonus or incentive programmes. However, employee-elected board members may, based on their employment, be covered by general incentive schemes applicable to the Lundbeck Group's employees.

OVERVIEW OF REMUNERATION FOR THE BOARD OF DIRECTORS 2017-2019

BOARD MEMBERS	Annual Fee	Audit Committee	Remuneration & Nomination Committee	Scientific Committee	Travel allowance	2019	2018
LARS SØREN RASMUSSEN	1,050	200	300	-		1,550	1,550
LENE SKOLE-SØRENSEN	700	-	200	200		1,100	1,100
LARS ERIK HOLMQVIST	350	200	-	-		550	550
JEREMY MAX LEVIN	350	-	-	300	263	913	650
JEFFREY BERKOWITZ*	350	-	150	200	263	963	413
HENRIK ANDERSEN	350	300	-	-		650	488
RIKKE KRUSE ANDREASEN	350	-	-	-		350	263
LUDOVIC TRANHOLM OTTERBEIN	350	-	-	-		350	263
HENRIK SINDAL JENSEN	350	-	-	-		350	117
TOTAL**	4,200	700	650	700	525	6,775	5,394

*Jeffrey Berkowitz joined Remuneration & Nomination Committee in May 2019.

**Total remuneration for the Board of Directors active at 31 December 2019.