



**Statutory Corporate  
Governance Report for 2012,  
cf. art. 107b of the  
Danish Financial Statements Act**

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This Statutory Corporate Governance Report covers the period 1 January 2012 to 31 December 2012 and is prepared pursuant to art. 107b of the Danish Financial Statements Act, and is an element of the management review as included in the annual report for 2012. Appendix 1 is not part of the auditor's reports in the Annual Report.

## 1. Corporate Governance recommendations and practices

As a global company listed on the stock exchange in Copenhagen, Lundbeck is subject to the Danish Corporate Governance Recommendations designed by NASDAQ OMX Copenhagen ([www.corporategovernance.dk](http://www.corporategovernance.dk)).

Lundbeck meets all of the corporate governance recommendations, with the exception of three items:

- Lundbeck does not comply with the recommendation to establish a nomination committee, which considers the qualifications and composition of the Board of Directors and Executive Management. Our Chairman and Deputy Chairman handle this task.
- Lundbeck deviates from the recommendation regarding disclosure of remuneration paid to individual members of Executive Management. We do not believe this provides added value to our stakeholders. We only intend to disclose the total individual remuneration paid to our President and CEO, and the total remuneration paid to Executive Management.
- The third area concerns diversity of the Board of Directors and Executive Management. We fully subscribe to the principle that women and men should be given equal opportunities, but at the same time we wish to follow our guidelines on recruiting people based on qualifications.

A detailed report of Lundbeck's compliance with and deviations from the Danish Corporate Governance Recommendations can be found in Appendix 1.

## 2. Risk management

Lundbeck has identified the risks which the company is exposed to and regularly aligns its systems to ensure optimum risk management.



*Lundbeck's Risk Management Chain*

The balance between risk exposure and generation of value is the pivotal aim of Lundbeck's risk management. We seek to create a reasonable balance between risk management processes which are consistently updated and adapted to match intra-Group and external requirements and needs. In this way, our Corporate Management Group obtains an overview of the activities and resources available while at the same time securing a solid basis for decisions regarding the overall risk exposure.

Lundbeck's risk management organization reports to a central Risk Office. Our fundamental risk management principle is that risks, in addition to central monitoring and coordination, should be managed by decentralised units as they have the most extensive knowledge of such risks and the best possibility of mitigating the exposure. The individual business units take a systematic approach to monitoring, identifying, quantifying and responding to risks. Furthermore, we have defined reporting, decision-making and follow-up procedures and routines.

We assess the probability of an event occurring and the potential impact for Lundbeck in the form of a potential financial loss or damaged reputation. The decentralised risk evaluation in the business units is regularly reported and processed by the risk management organization.

#### *Risk Management*

The Risk Office evaluates Lundbeck's overall risk exposure in an ongoing process. The evaluation is based on business units reporting and updating the principal risks in their area. We use a risk register for reporting and controlling our consolidated risk exposure.

The risk register contains the following information about a given risk:

- Description
- Current status
- Current reaction and subsequent handling
- Assessment of probability and potential impact
- Person responsible for managing the risk

The Risk Office assesses our overall risk exposure and discusses it with the Corporate Management Group. Risks are assessed both as gross risks and net risks. The assessment of gross risk assumes that no mitigating actions have been implemented, whereas net risk assessment takes into account mitigating actions already implemented and their anticipated effect. Lundbeck strives to have as many risks mitigated as possible. Subsequently, risks and risk exposure are presented to the Audit Committee. Risk reporting forms an integral part of Lundbeck's overall reporting process.

The risk register divides the identified risks into six categories:

- Research and development
- Market conditions
- Infrastructure
- Reputation
- Legal rights
- Financial matters

#### *Research and Development*

Lundbeck's research and development strategy aims at developing innovative pharmaceuticals. However, there are risks involved in launching new pharmaceuticals and new treatment options for known diseases. Throughout the research and development process, there is a risk that new pharmaceuticals will be delayed or have to be abandoned altogether. In each of our late-stage projects, we thoroughly assess if factors such as the initiation of new clinical trials or additional support in ongoing clinical trials could lead to a more successful completion of the project.

#### *Market Conditions*

The pharmaceutical market, especially in Europe, is characterised by authorities' aim to cap or reduce increasing health care costs. These cost containment measures are structured in several ways such as regulation of prices, reimbursement or increasing requirements to demonstrate added value in comparison

to already existing products. Such health care reforms may have a considerable impact on the earnings potential of pharmaceuticals in the coming years. For example, in 2011 Lundbeck experienced significant changes in countries such as Greece, Portugal, Spain and Turkey. Increasing debts have compelled governments to reduce public budgets, and some savings were found in comprehensive price reductions. Uncertainty surrounding public debts and further cost containment measures is considered a continuing and increasing risk factor in 2012. We are working with the health care authorities around the world to document the value of our pharmaceuticals, for example by preparing health-economic assessments. Also, we are continuously seeking to adapt our organization and activities to the changed market conditions.

#### *Infrastructure*

It is crucial for patients to always have access to the pharmaceuticals they need. As a pharmaceutical manufacturer, we therefore need to be able to control our reliability of supply. We carefully monitor the supply situation and as a rule maintain an inventory level that will help us overcome a production breakdown. To mitigate production risks, we currently have production and packaging facilities at four independent sites: Lumsås and Valby (Denmark), Padova (Italy) and Sophia-Antipolis (France). In this

way we enhance flexibility in our pharmaceutical production, while we also reduce our costs, relying less on external suppliers. In rare cases, pharmaceutical companies are forced to recall a product from the market due to a problem with the safety or quality of the pharmaceutical. We have systems and procedures in place to ensure a swift and effective response if the need should arise. Lundbeck's business model also includes partnerships which offer a number of benefits, but also mean that we do not retain full control of the individual projects and products. However, through close and open dialogue with our partners we seek to ensure that our targets are met by sharing ideas and best practices in research, development, production, marketing and sales. Lundbeck has a number of inlicensed products in its portfolio, including Ebixa<sup>®</sup> for the treatment of Alzheimer's disease, Azilect<sup>®</sup> for the treatment of Parkinson's disease, Xenazine<sup>®</sup> for the treatment of chorea associated with Huntington's disease and Saphris<sup>®</sup>/Sycrest<sup>®</sup> for the treatment of schizophrenia and manic episodes associated with bipolar disorder. Inlicensing of pharmaceuticals is characterised by sharp competition. This involves the risk that prices of attractive projects are pushed up to a level that would render them unprofitable, considering the risk involved. Lundbeck is a knowledge based business, and that means that our success depends on consistently having the right employees with the right competencies. Consequently, we are taking great strides to secure our human capital. We spend substantial resources on developing the know-how and competencies of our employees. This is the key to our success, but also means that our employees are attractive to other businesses. Therefore, remuneration, employee benefits, recognition and development opportunities are key factors for us to retain our employees. To a company such as Lundbeck, it is crucial that we can protect the knowledge that is the basis of our success. We have increased our focus on information security with the aim of protecting our intellectual property rights and, not least, avoiding the infringement of third party rights. We need to keep our knowledge secure but also need to share it between employees around the world.

#### *Reputation*

New clinical trials, publications and letters to the editor may change the perception of different pharmaceuticals and their manufacturers. Lundbeck invests substantial resources in providing factual and scientific information to the benefit of health care professionals and patients. The intention is to create a foundation for confidence in our pharmaceuticals. Corporate governance is the cornerstone of our way of running our business. We have the right systems for ensuring preventive and forward-looking risk management. Our organization delivers ongoing, value-creating, valid and fast reports on issues such as Lundbeck's reputation, risk profile on marketed products and operational, tactical and strategic financial planning. In 2011, Lundbeck became the object of media and NGO attention because of the misuse by US prisons of Nembutal<sup>®</sup> (pentobarbital) in relation to capital punishment despite the indication of the pharmaceutical for the treatment of epileptic seizures. Lundbeck opposed strongly to this misuse, and after careful analysis, we established a new distribution system to restrict such misuse. In December 2011, we divested a substantial part of the implementation of our Code of Conduct, which is a set of guidelines describing our views on responsible business conduct and our relations with stakeholders such as health care professionals, patients, authorities and society in general. We are strongly committed to complying with the Code of Conduct both when it comes to our own employees and in our relationships with our collaboration partners.

#### *Legal Rights*

Lundbeck relies on its ability to protect its intellectual rights for new pharmaceuticals. Also, we must operate our business without infringing the rights of others. Patenting and the patent application process in pharmaceutical companies are legally and scientifically complicated processes and are thus subject to a degree of uncertainty. We are taking major steps to develop and retain competencies in this area. We believe that our intellectual property rights are valid and enforceable, and we defend these rights wherever they may be violated. Lundbeck is involved in pending trials concerning intellectual property rights for escitalopram in Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Hungary, Lebanon, the Netherlands, Portugal, Saudi Arabia, Spain, Turkey and the UK.

#### *Financial Matters*

Most of Lundbeck's commercial transactions are settled in foreign currencies. At the present time, the currency risk is primarily associated with movements in the US dollar (USD), but also a number of other currencies such as the Canadian dollar (CAD) and Turkish lira (TRY). From the end of 2011, the Lundbeck treasury policy has been updated to allow the hedging of income in these currencies for up to 24 months. Accordingly, if the exchange rates change during 2012, this will only have a small impact on our financial results for 2012, but it may affect the financial performance from 2013 onwards. Interest rate risks arise in connection with our bond portfolio, debt portfolio and cash holding. Interest rate risks are

reduced by seeking short duration on both the asset and the liabilities side. We reduce the credit risk that arises in connection with the sale of goods, our bond portfolio and cash holdings by avoiding credit risk concentration and by diversifying receivables on a large number of creditworthy trading partners. In addition, we exclusively deal with banks that have an “investment grade” credit rating.

### 3. Internal control

Supplementary information on Lundbeck's internal controls in the financial reporting process is available in this section.

The Board of Directors has a supervisory duty and the Executive Management the overall responsibility for Lundbeck's risk management and internal controls in relation to the financial reporting process, including compliance with relevant legislation and additional disclosure requirements pertaining to financial reporting.

The purpose of the risk management process and the internal controls is effectively to identify, manage and minimise the risk of errors in the financial reporting process and to provide reasonable assurance that material misstatement and errors in relation to the financial reporting process are avoided. Furthermore, the purpose is also to support a complex commercial business, focusing on quality, effectiveness and strong ethics in every day transactions and decisions.

The Board of Directors has set up an Audit Committee, which has an advisory role relative to the Board of Directors, including on matters such as internal controls in the financial reporting procedures, special financial and accounting issues, evaluation of financial reporting and other financial information and risk management. The Audit Committee gathers independent advice and insights from the external auditors, who are present at the meetings. External audit presents their audit strategies and findings to the Audit Committee.

#### Control environment

The Board of Directors approves the overall risk management policies presented by the Executive Management, including the treasury policy. These policies are incorporated in the internal control and risk management system, which comprises a clearly defined organisational structure, including roles and responsibilities. Based on this structure, Lundbeck has drawn up manuals describing the principal business procedures, internal controls, requirements on segregation of functions and duties, reconciliations, approval and authorisation as well as accounting policies. Compliance with the guidelines is verified in an ongoing process.

Lundbeck has set up a central controlling function to check the financial reporting from all group companies, including compliance with the accounting policies. Each business area has been allocated a business controlling function which reviews the validity of reported earnings and underlying activities of each business area.

#### Risk management

The Executive Management regularly assesses the risks that Lundbeck is exposed to, including risks related to financial reporting. In case of actual or expected changes that could affect the risks that Lundbeck is exposed to, the Executive Management will review such changes and consider appropriate mitigating actions together with the Board of Directors. At least once a year, the Audit Committee assesses whether the internal controls related to the financial reporting process are effective in relation to the risks identified.

Once a year, and as needed, the Audit Committee reviews the accounting policies and any changes thereto as well as critical estimates and judgments related to financial reporting. As part of the review, the committee discusses changes in accounting policies and the impact of critical estimates and judgments with the Executive Management. The Audit Committee reports the findings of these assessments to the Board of Directors, which approves the financial reporting process and the findings of the assessment.

### **Control activities**

Control activities are based on the risk assessment. The objective of the control activities is to ensure compliance with strategies, policies, manuals, procedures etc. established by the Board of Directors and the Executive Management and each business area, respectively, and Lundbeck aims to prevent, detect and correct any misstatement, discrepancies and errors, etc.

A formal reporting process has been established for the Group's business areas. The process builds on a budget and estimate process as well as a monthly follow-up on realised figures, budget deviations and key figures, etc.

Requirements have been defined in respect of analyses of monthly financial data, etc. in the reporting packages that form the basis of internal and external financial statements. The business areas have established reporting procedures that are consistent with Lundbeck's reporting process and the special operational issues of each business area. Supplementary information is gathered on an ongoing basis for use in ensuring compliance with any requirements regarding notes, other disclosure requirements and operational analyses.

Based on the risk assessment, minimum requirements have been established in respect of controls, reconciliations and analyses of financial data for the Group's principal units and accounting items.

Lundbeck has set up an Internal Audit function, which reports directly to the Audit Committee and which is thus independent of the Corporate Management Group. Based on the audit plan approved by the Audit Committee, Internal Audit performs audit assignments in all business entities, which are documented in audit reports and an audit database to ensure that recommendations given are regularly acted upon. The audit visits are performed after a plan of rotation to ensure compliance with the company's policies and procedures and to assist management by recommending ongoing improvements to existing internal controls.

Furthermore, Lundbeck has established a whistleblower system that all employees can use anonymously to contact Internal Audit if they experience risk of fraud or non-compliance with Lundbeck's business ethics policies. Any events are subsequently reviewed by the Executive Board and the Audit Committee, which reports to the Board of Directors.

### **Information and communication**

Lundbeck has established information and communication systems which, among other things, set out the general financial reporting requirements and external financial reporting requirements in accordance with current legislation and applicable regulations, including International Financial Reporting Standards as adopted by the EU.

As a result of ongoing work with business procedures, internal controls and changing financial reporting regulation, Lundbeck regularly updates the contents of the systems and manuals in respect of business procedures, internal controls, and requirements on segregation of functions and duties, reconciliations, approval and authorisation and accounting policies. The manuals are accessible on Lundbeck's intranet.

### **Monitoring**

The risk assessment and control activities are monitored in an ongoing process. The monitoring comprises formal and informal procedures. These are used by the management and the persons who have ownership of processes, risks and control procedures. The process includes a review of the financial results, which are compared to budgets and estimates. An analytical control and ongoing assessments are performed of key figures. Major weaknesses and non-compliance with internal guidelines are reported to the Executive Management, who follows up on any issues.

As part of their audit of the financial statements, the auditors elected at the general meeting report on any major weaknesses in Lundbeck's internal control and risk management system in the long-form audit report to the Board of Directors, whilst less significant weaknesses are addressed in a management letter to the Executive Management. The Board of Directors ensures that the Executive Management follows up on any outstanding issues, and the Executive Management ensures that the subsidiaries follow up on any weaknesses. Once a year, subsidiary managers and financial controllers declare that the reporting is consistent with Lundbeck's guidelines. In connection with the financial reporting process,

the Executive Management makes a separate statement that the consolidated reporting is consistent with Lundbeck's guidelines and policies.

#### 4. Management

Lundbeck has a two-tier board structure consisting of the Board of Directors and the Executive Management. The two bodies are separated, and no person serves as a member of both.

##### *Board of Directors*

The Board of Directors is responsible for defining the general strategy, setting goals for Executive Management, and ensuring that members of Executive Management and other managers have the right qualifications. The Board of Directors also evaluates management performance and management remuneration. Furthermore, the Board of Directors has the overall responsibility for ensuring that adequate internal and external controls are in place, and for identifying and addressing any risks.

The Board has 9 members of whom six are elected by the shareholders at the annual general meeting, and three are Lundbeck employees from Denmark elected by the Danish employees.

In March 2012, the shareholder elected the following members to the Board of Directors:

- Mats Pettersson (Chairman of the Board)
- Christian Dyvig (Deputy Chairman of the Board)
- Thorleif Krarup (Member of the Board)
- Jes Østergaard (Member of the Board)
- Melanie G. Lee (Member of the Board)
- Håkan Björklund (Members of the Board)

In 2010, the employees elected the following members to the Board of Directors:

- Kim Rosenville Christensen (Member of the Board – employee representative)
- Mona Elisabeth Elster (Member of the Board – employee representative)
- Jørn Mayntzhusen (Member of the Board – employee representative)

##### *Chairmanship*

The Chairman and Deputy Chairman ensure that the Board of Directors' tasks and responsibilities are handled in a balanced and satisfactory manner. In addition to activities related to strategic, financial and operational supervision of Executive Management, the Chairmanship carries out the role of a nomination committee.

##### *Board Committees*

The Board of Directors has set up three committees: the Audit Committee, the Remuneration Committee and the Scientific Committee. The three committees advise the Board on financial information and reporting, remuneration of Executive Management and the company's compensation strategy, and R&D, respectively.

##### *Executive Management*

Lundbeck's Executive Management is responsible for the company's day-to-day management. This responsibility comprises the Lundbeck organization, allocation of resources, defining and implementing strategies and policies, achieving goals, and reporting information to the Board of Directors.

Lundbeck's Executive Management consists of three members appointed by the Board of Directors:

- Ulf Wiinberg (President and chief executive officer (CEO))
- Anders Götzsche (Executive vice president and chief financial officer (CFO))
- Ander Gersel Pedersen (Executive vice president and chief scientific officer (CSO))

The Corporate Management Group includes Executive Management and representatives from the various areas of the pharmaceutical value chain.

## 5. Audit Committee

The Audit Committee provides advice to the Board of Directors on internal and external controls in financial reporting procedures, special financial and accounting issues, evaluation of financial reporting and other financial information and risk management.

The audit committee provides advice on the basis of:

- Meetings with the Corporate Management Group and internal and independent auditors
- Management's recommendation concerning accounting policies, accounting estimates, new accounting standards and significant single transactions
- Critical guidelines and policies for internal controls and financial reporting procedures
- Annual strategy, audit plans and review of status on audit procedures performed by Internal Audit
- Communication from independent auditors to the Board of Directors, including monitoring and control of auditors' independence, review of audit planning and drafting long-form audit reports
- Systematic review of the company's risk exposure
- Cases received through the whistleblower system.

In March 2012, the Board of Directors elected Thorleif Krarup as Chairman of the Audit Committee and Mats Pettersson and Håkan Björklund as members.

The Chairman of the Board does not act as Chairman of the Audit Committee, and more than half of the members are independent.

**NASDAQ OMX Copenhagen**  
**Danish Corporate Governance Recommendations (August 2011)**

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason: According to the Danish Financial Statement Act sec.107b (1)(3), the company must state the reason for not complying with certain parts of the recommendations.
<p><b>1. The role of the shareholders and their interaction with the management of the company</b></p> <p>The company's shareholders, employees and other stakeholders have a joint interest in the company always being capable of adjusting to changing demands, which allows the company to continue to be competitive and to create value. Positive interaction between management and shareholders is therefore essential. Shareholder influence is exercised at the general meeting. As owners of the company, the shareholders should actively exercise their rights and use their influence resulting in the management protecting the interests of the shareholders as best as possible and ensuring an appropriate and balanced development of the company both in the short and the long term.</p> <p>Good corporate governance depends on appropriate frameworks which make it easy for the shareholders to enter into a dialogue with the management of the company. This can be encouraged by ensuring that the shareholders are always well-informed of the company's situation and outlook and that the general meeting serves as a forum for communication and discussion and is the place where shareholders express their views and make decisions.</p>			
<p><i>1.1. Dialogue between the company and its shareholders</i></p>			
<p>1.1.1. The Committee <b>recommends</b> that the Board of Directors, for example through investor relations activities, ensure an ongoing dialogue between the company and its shareholders in order that the Board of Directors knows the shareholders' attitude, interests and views in relation to the company and that investor relations material be made available to all investors on the company's website</p>	X		<p>Lundbeck has an ongoing dialogue with shareholders and is conducting regular roadshows, meetings and participate in investor conferences.</p> <p>The company website (www.lundbeck.com) gives the shareholders access to vast amounts of information about the company. Conference calls held after the presentation of full-year and interim reports are webcasted on the Internet to anyone interested, and the presentations are freely available at the company's website.</p> <p>All registered shareholders automatically receive notices of general meetings and can register for the meetings by fax or letter to the company or via the company's website. Finally, Lundbeck webcasts its general meeting on the Internet with simultaneous interpretation into English for the benefit of the company's large group of foreign shareholders.</p>
<p><i>1.2. Capital and share structure</i></p>			
<p>1.2.1. The Committee <b>recommends</b> that the Board of Directors every year evaluate whether the company's capital and share structures continue to be in the interests of the shareholders and the company and account for this evaluation in the management commentary in the annual report and/or on the company's website.</p>	X		<p>The Board of Directors of Lundbeck analyses the company's need for capital on an ongoing basis, including an assessment of the company's capital structure from time to time.</p> <p>There is no universal answer to the question of what the optimum capital structure is for a specific company because the relationship between equity and interest-bearing debt relies on the specific characteristics that apply within the particular industry in which the business operates and, by extension, the operating and financial risk. However, companies in the pharmaceutical industry are often particularly well funded, which may be explained by the extended development projects and risks associated</p>

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason: According to the Danish Financial Statement Act sec.107b (1)(3), the company must state the reason for not complying with certain parts of the recommendations.
			<p>with research activities.</p> <p>The Board of Directors of Lundbeck pursues the policy that equity beyond the level which, based on a conservative estimate, would be considered sufficient to support the underlying business, should be distributed to the shareholders. The distribution to our shareholders takes place through annual dividends and if appropriate share buyback programmes.</p> <p>In the years ahead, the Board of Directors intends to pay dividends of 25-35% of the profit after tax, thereby aligning the company's dividend policy to that of its peers in the pharmaceutical industry.</p>
<i>1.3. General meeting</i>			
1.3.1. The Committee <b>recommends</b> that the Board of Directors and the Executive Management promote active ownership, including shareholders' attendance at general meetings.	X		General meetings are convened by the company giving not less than three week's notice and not more than five weeks' notice. The company aims to ensure that all notifications of general meetings and agendas are clear and unambiguous, stating all relevant details for the shareholders to be able to form an adequate impression of the points to be discussed. Furthermore, all shareholders are entitled to have specific issues considered at the general meeting, subject to submitting a written request to the Board of Directors in time for the issue to be included in the agenda for the meeting.
1.3.2. The Committee <b>recommends</b> that the Board of Directors resolve or submit to the general meeting the question whether the general meeting shall be conducted by physical attendance or as a partly or entirely electronic general meeting.	X		As stated in the notice convening the general meeting, the meeting is conducted by physical attendance at Lundbeck's headquarters in Valby.
1.3.3 The Committee <b>recommends</b> that proxies given to the Board of Directors allow shareholders to consider each individual item on the agenda.	X		Shareholders who give proxy are given the opportunity to state their position on each item on the agenda.
1.3.4 The Committee <b>recommends</b> that all members of the Board of Directors and the Executive Management be present at the general meeting.	X		As a principal rule all members of the Board of Directors and the Executive Management are present at the general meeting.

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason: According to the Danish Financial Statement Act sec.107b (1)(3), the company must state the reason for not complying with certain parts of the recommendations.
<i>1.4. Takeover bids</i>			
1.4.1 The Committee <b>recommends</b> that the Board of Directors, from the moment it obtains knowledge that a takeover bid will be submitted, do not, without the acceptance of the general meeting, attempt to counter the takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid.	X		Lundbeck does not have any form of anti-takeover measures in the form of voting restrictions or other types of ownership limitations. If a specific takeover bid is made, the Board of Directors will consider such a bid individually with due consideration to the Danish Public Companies Act and the Rules for issuers of shares of the NASDAQ OMX Copenhagen as well as the guidelines already discussed and adopted by the Board of Directors.
1.4.2. The Committee <b>recommends</b> that the Board of Directors give the shareholders the opportunity to decide whether or not they wish to dispose of their shares in the company under the terms offered.	X		In the event of a serious take-over bid, the shareholders will be given the opportunity to decide whether or not they wish to dispose of their shares in the company under the terms offered.
<p><b>2. The role of stakeholders and their importance to the company and the company's corporate social responsibility</b></p> <p>In order for a company to be able to adjust readily to changing demands and thus stay competitive and deliver value-adding performance, it is essential for the company to have, in addition to the dialogue with its shareholders, a good relationship with its stakeholders.</p> <p>The management of the company should operate and develop the company with due consideration of its stakeholders and to a reasonable extent engage in active dialogue with its stakeholders to develop and strengthen the company. Such dialogue may take place at investor meetings etc.</p>			
<i>2.1. The company's policy in relation to its stakeholders</i>			
2.1.1. The Committee <b>recommends</b> that the Board of Directors identify the company's key stakeholders and their main interests in relation to the company.	X		The company's stakeholders are addressed and discussed on an ad hoc basis on the Board of Director meetings and strategy seminars.
2.1.2. The Committee <b>recommends</b> that the Board of Directors adopt a policy on the company's relationship with its stakeholders, including the investors, and ensure that the interests of the stakeholders are respected in accordance with the company's policy on such issues.	X		<p>Lundbeck has an integrated corporate vision, mission and set of values that reflect the company's business concept, objectives and fundamental management principles. In addition, the company has a specific group communication policy and a code of conduct defining guidelines for interaction with stakeholders.</p> <p>The Board of Directors believes that the interests of the company, and thus also of its shareholders, are best safeguarded by maintaining an open, constructive and ongoing dialogue between the company and all its stakeholders. Lundbeck maintains a regular contact with its major stakeholders including investors, employees, partners,</p>

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason: According to the Danish Financial Statement Act sec.107b (1)(3), the company must state the reason for not complying with certain parts of the recommendations.
			suppliers, organisations and authorities.
2.2. Corporate social responsibility			
2.2.1. The Committee <b>recommends</b> that the Board of Directors adopt a policy on corporate social responsibility.	X		Lundbeck has adopted a policy on corporate social responsibility and supports the UN Global Compact.
<p><b>3. Openness and transparency</b> Shareholders, potential shareholders and other stakeholders have different needs for information about the company.</p> <p>Their understanding of and relations to the company depend on the amount and the quality of information published by the company. Openness and transparency are essential conditions for ensuring that the company's shareholders and other stakeholders are able to regularly evaluate and relate to the company and its future.</p> <p>Openness and mutual respect are prerequisites for a fruitful interaction between the company and its stakeholders.</p> <p>A thorough and updated communication strategy will help the company provide timely, trustworthy, accurate and up-to-date internal and external information of high quality and comply with the disclosure requirements in force from time to time.</p>			
3.1. Disclosure of information to the market			
3.1.1. The Committee <b>recommends</b> that the Board of Directors adopt a communication strategy.	X		Lundbeck has adopted an information and communication policy and has communication strategies for providing information to relevant stakeholders. The information and communication policy/strategies can be found at the company website (www.lundbeck.com).
3.1.2. The Committee <b>recommends</b> that information from the company to the market be published in both Danish and English.	X		All corporate and press releases as well as the annual report and the company magazine are published in both Danish and English
3.1.3. The Committee <b>recommends</b> that the company publish quarterly reports.	X		Quarterly reports are disclosed in corporate releases and published at the corporate web-site (www.lundbeck.com).

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason: According to the Danish Financial Statement Act sec.107b (1)(3), the company must state the reason for not complying with certain parts of the recommendations.
<p><b>4. The tasks and responsibilities of the supreme and the central governing bodies</b></p> <p>The Board of Directors is responsible for safeguarding the interests of the shareholders with care and due consideration of the other stakeholders.</p> <p>The most important tasks of the Board of Directors include appointing a qualified Executive Management, establishing its tasks, conditions of employment and distribution of work and preparing guidelines for accountability, planning, follow-up and risk management. The Board of Directors is responsible for supervising the Executive Management and preparing guidelines for how to exercise this supervision.</p> <p>The Board of Directors is responsible for ensuring the professional development and retention or dismissal of the members of the Executive Management as well as ensuring that the remuneration of the members of the Executive Management reflects the long-term value creation in the company as well as the independent performance of the members of the Executive Management.</p> <p>Both the Board of Directors and the Executive Management shall ensure that the necessary financial resources are in place at any given time.</p> <p>The Board of Directors is in charge of the overall and strategic management of the company. The Board of Directors must define the company's strategic goals and make sure that the necessary conditions for achieving such goals are present in the form of financial as well as competence resources and is responsible for the proper organisation of the company's activities. It is essential that the Board of Directors ensures ongoing development of and follow-up on the company's strategic goals and determines whether the conditions for achieving these goals are present.</p>			
<p><i>4.1. Overall tasks and responsibilities</i></p>			
<p>4.1.1. The Committee <b>recommends</b> that the Board of Directors determine the company's overall strategy at least once every year with a view to sustaining value creation in the company.</p>	X		<p>At least once every year the Board of Directors assesses the company's overall strategy.</p>
<p>4.1.2. The Committee <b>recommends</b> that the Board of Directors at least once every year discuss and ensure that the necessary qualifications and financial resources are in place in order for the company to achieve its strategic goals.</p>	X		<p>At least once every year the Board of Directors assesses the qualification and financial resources at hand in order to ensure that the company can exercise on its strategic goals.</p>
<p>4.1.3. The Committee <b>recommends</b> that the Board of Directors at least once every year define its most important tasks related to the financial and managerial control of the company, including how to supervise the work of the Executive Management.</p>	X		<p>At least once every year the Board of Directors define its most important tasks related to the financial and managerial control of the company.</p>

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason: According to the Danish Financial Statement Act sec.107b (1)(3), the company must state the reason for not complying with certain parts of the recommendations.
4.1.4. The Committee <b>recommends</b> that the Board of Directors annually discuss the company's activities to ensure diversity at management levels, including equal opportunities for both sexes, and that the Board of Directors set measurable objectives and in the management commentary in the annual report and/or on the company's website give an account of both the objectives and the progress made in achieving the objective.		X	The Board of Directors support equal opportunities for both sexes and annually discuss the company's activities to ensure diversity. Lundbeck has not prepared specific measurable objectives but report on diversity at Board of Directors and management level in the annual report.
<i>4.2. Procedures</i>			
4.2.1. The Committee <b>recommends</b> that the Board of Directors review its rules of procedure annually to ensure that they are adequate and always match the activities and needs of the company.	X		At least annually, the Board of Directors assesses the need for any changes in its rules of procedures.
4.2.2. The Committee <b>recommends</b> that the Board of Directors annually review and approve procedures for the Executive Management, including establish requirements for the Executive Management's timely, accurate and adequate reporting to the Board of Directors and for any other communication between the two governing bodies.	X		Communications between the Executive Management and the Board of Directors are regulated in the rules of procedure for the Executive Management, which annually is assessed for the need of changes. These procedures stipulate what matters the Executive Management should report to the Board of Directors, and how often to report such matters. In addition, meetings are held on a regular basis between the chairman or deputy chairman of the Board of Directors and the Executive Management with a view to continuously optimising communications and collaboration.
<i>4.3. The chairman and deputy chairman of the Board of Directors</i>			
4.3.1. The Committee <b>recommends</b> that a deputy chairman of the Board of Directors be appointed, who must be able to act in the chairman's absence and also act as an effective sounding board for the chairman.	X		Annually, the Board of Directors elects a deputy chairman who chairs the meeting in the chairman's absence.
4.3.2. The Committee <b>recommends</b> the preparation of a scope of work and task list specifying the tasks, duties and responsibilities of the chairman and deputy chairman.	X		It is the duty of the chairman to provide for a good and trustful collaborative setting that ensures that the Board of Directors as a whole performs the tasks assigned to it and that the individual board members perform their duties satisfactorily. Board meetings are held with a frequency that allows for swift reaction, and extraordinary board meetings can quickly be convened with participation over the telephone or in a video conference. Decisions are made by all members of the Board of Directors. Neither of the committees have responsibilities that are independent of the Board of

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			Directors and the work of the committees serves to assist the Board of Directors in its duties. The duties of the chairman and deputy chairman are set out in a description of tasks and duties.
4.3.3. The Committee <b>recommends</b> that the chairman of the Board of Directors organise, convene and chair meetings to ensure efficiency in the body’s work and to create the best possible working conditions for the members, individually and collectively.	X		In connection with the ongoing evaluation of the work of the Board of Directors, the chairman is kept up-to-date about each individual member’s know-how and skills to the benefit of the combined board efforts.
4.3.4. The Committee <b>recommends</b> that, if the Board of Directors in exceptional cases asks its chairman to perform special tasks for the company, including briefly participate in the day-to-day management, a board resolution to that effect should be passed and precautions taken to ensure that the Board of Directors will maintain responsibility for the overall management and control function. A reasonable distribution of duties must be ensured between the chairman, the deputy chairman, the other members of the Board of Directors and the Executive Management. Information about agreements on the chairman’s participation in the day-to-day management and the expected duration hereof must be disclosed in a company announcement.	X		To ensure that the Board of Directors will maintain responsibility for the overall management and control function in case the chairman is asked to perform special tasks for the company, distribution of duties and duration of the agreements will be documented in minutes from the relevant Board of Directors meeting and disclosed in a company release.
<p><b>5. Composition and organisation of the Board of Directors</b></p> <p>In companies where the Board of Directors constitutes the supreme governing body, the Board of Directors should be composed in such a way as to allow it to perform its managerial tasks, including overall and strategic tasks.</p> <p>It is essential that the Board of Directors of a company be composed in such a way as to ensure effective performance of its control tasks and, at the same time, ensure a constructive and qualified dialogue with the Executive Management. It is also essential that the members of the Board of Directors always act independently of special interests.</p> <p>Diversity improves the quality of the Board of Directors work and the cooperation between its members, including through different approaches to the performance of management tasks.</p> <p>The Board of Directors should regularly assess whether its composition and the skills of its members, individually and collectively, reflect the demands posed by the company’s situation and circumstances. To increase value creation, the Board of Directors should carry out an evaluation of its members every year and ensure integration of new talent while maintaining continuity.</p>			

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<i>5.1. Composition</i>			
5.1.1. The Committee <b>recommends</b> that the Board of Directors annually specify the skills it must have to best perform its tasks and that the specification be posted on the website. Proposals for the nomination/replacement of members of the Board of Directors to be submitted to the general meeting should be prepared in the light hereof.	X		The required skills of the Board of Directors are annually assessed by the board. The specifications are posted on the company's website. Candidates nominated for the Board of Directors are described according to the recommendation in the notice convening the general meeting.
5.1.2. The Committee <b>recommends</b> that the Board of Directors ensure a formal, thorough and transparent process for selection and nomination of candidates to the Board of Directors. When assessing its composition and nominating new candidates, the Board of Directors must take into consideration the need for integration of new talent and the need for diversity in relation to international experience, gender and age, etc.	X		The goal of the Board of Directors is for the individual board members to complement each other with respect to international experience and qualifications, as this is the best way to be a qualified sounding board for the Executive Management. The Board of Directors proposals for new members are always accompanied by a thorough description of the candidate and the candidate's CV. The Board of Directors support equal opportunities for both sexes.  Moreover, at the general meeting the Chairman of the Board of Directors reviews the recruitment criteria on which the board has based its recommendation for the shareholders in general meeting.
5.1.3. The Committee <b>recommends</b> that a description of the nominated candidates' qualifications, including information about other executive functions, e.g. memberships of executive managements and Board of Directors, including board committees, held by the candidates in both Danish and foreign companies as well as information on demanding organisational tasks should accompany the notice convening the general meeting when election of members to the Board of Directors is on the agenda.	X		Candidates nominated for the Board of Directors are described according to the recommendation in the notice convening the general meeting.
5.1.4. The Committee <b>recommends</b> that every year, the annual report contain an account of the composition of the Board of Directors, including its diversity, and of any special skills possessed by the individual members.	X		A description of the Board of Directors in accordance with the recommendation is published in the company's annual report.

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<i>5.2. Training of members of the Board of Directors</i>			
5.2.1. The Committee <b>recommends</b> that new members joining the Board of Directors be given an introduction to the company.	X		Upon being elected to the company's Board of Directors, each new board member is given a thorough introduction to the company and its business area. This introduction includes discussions with the chairman of the Board of Directors, the Executive Management and other key employees, enabling the new board member to quickly gain the necessary insight into company-specific issues.
5.2.2. The Committee <b>recommends</b> that the Board of Directors annually assess whether the skills and expertise of its members need to be updated.	X		The Board of Directors annually assess the skills and expertise of its members
<i>5.3. Number of members of the Board of Directors</i>			
5.3.1. The Committee <b>recommends</b> that the Board of Directors have only so many members as to allow a constructive debate and an effective decision-making process enabling all members to play an active role.	X		The company's Board of Directors consists of 4-6 external directors elected by the shareholders in general meeting and 2-3 members elected by the company's Danish employees. The Board of Directors believes that its current size is appropriate, both in relation to the company's requirements and the Board of Directors assignments and skills.
5.3.2. The Committee <b>recommends</b> that in connection with the preparation for each year's general meeting, the Board of Directors consider whether the number of members is appropriate in relation to the requirements of the company.	X		The number of members on the board is assessed annually.
<i>5.4. The independence of the Board of Directors</i>			
5.4.1. In order for the members of the Board of Directors to act independently of special interests, the Committee <b>recommends</b> that at least half of the members elected by the general meeting be independent persons.  The independent members of the Board of Directors may not: <ul style="list-style-type: none"> <li>• be, or have been within the last five years, a member of the Executive Management/managerial staff of the company</li> </ul>	X		At least half of the members of the Board of Directors elected by the shareholders are independent in accordance with the cited definition.

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<p>or an associated company,</p> <ul style="list-style-type: none"> <li>• have received significant additional remuneration from the company/group or an associated company apart from a fee for its services in the capacity as a member of the Board of Directors,</li> <li>• represent the interests of a controlling shareholder,</li> <li>• within the last year, have had a material business relationship (e.g. personally or indirectly as a partner or an employee, shareholder, customer, supplier or member of a governing body of companies with similar relations) with the company or an associated company,</li> <li>• be, or have been within the last three years, an employee or partner of the external audit firm,</li> <li>• hold cross-memberships of governing bodies,</li> <li>• have been a member of the Board of Directors for more than 12 years, or</li> <li>• have close family ties with persons that are not regarded as independent persons.</li> </ul>			
<p>5.4.2. The Committee <b>recommends</b> that at least once every year, the Board of Directors list the names of the members who are regarded as independent persons and also disclose whether new candidates for the Board of Directors are considered independent persons.</p>	X		<p>The company's annual report disclose which of the board members elected by the shareholders, if any, are not independent, and the notice convening the general meeting also describe whether any new board candidates are considered to be independent.</p>
<p>5.5. <i>Members of the Board of Directors elected by the employees</i></p>			
<p>5.5.1. The Committee <b>recommends</b> that the individual company explain, in the company's annual report or on its website, the system of employee-elected board members and the company's use hereof in companies where the employees have chosen to apply the provisions of the Companies Act on employee representation.</p>	X		<p>Pursuant to the relevant rules of the Danish Public Companies Act, the company's Danish employees elect a number of members to the Board of Directors. According to these rules, the number of employee representatives must equal half the number of members elected by the shareholders at the general meeting.</p> <p>The election is held by secret ballot. Eligible candidates must have been employed with Lundbeck during the last 12 months prior to the election date. The election</p>

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			period is four years, and employees who leave the company during the election period must retire from the Board of Directors. Board members elected by the employees have the same rights, duties and responsibilities and receive the same remuneration as members elected by the shareholders at the general meeting.
<i>5.6. Meeting frequency</i>			
5.6.1. The Committee <b>recommends</b> that the Board of Directors meet at regular intervals according to a predetermined meeting and work schedule or when meetings are deemed necessary or appropriate as required by the company and that the number of meetings held be disclosed in the annual report.	X		The company's Board of Directors meets at least six times a year in scheduled ordinary meetings, to which should be added any extraordinary meetings convened and one annual two-day strategy seminar. The frequency of ordinary board meetings is disclosed in the annual report.
<i>5.7. Expected time commitment and the number of other executive functions</i>			
5.7.1. The Committee <b>recommends</b> that each member of the Board of Directors assess the expected time commitment for each function in order that the member does not take on more functions than he/she can manage in a satisfactory way for the company.	X		The number of directorships each member is able to hold is subject to an individual assessment.
5.7.2. The Committee <b>recommends</b> that the annual report contain the following information about the members of the Board of Directors: <ul style="list-style-type: none"> <li>• the member's occupation,</li> <li>• the member's other executive functions, e.g. memberships of executive managements and Board of Directors, including board committees, in Danish and foreign companies as well as demanding organisational tasks, and</li> <li>• the number of shares, options, warrants, etc. that the member holds in the company and its consolidated companies and any changes in such holdings during the financial year.</li> </ul>	X		The annual report contains information on the members of the Board of Directors in accordance to the recommendation.

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<i>5.8. Retirement age</i>			
5.8.1. The Committee <b>recommends</b> that the company's articles of association fix a retirement age for members of the Board of Directors and that the annual report contain information on such retirement age as well as the age of each member of the board of directors.	X		Pursuant to the articles of association of H. Lundbeck A/S, a board member shall resign not later than at the general meeting in the calendar year in which the board member attains the age of 70. The annual report contains information about the retirement age for members of the Board of Directors and the age of the individual directors.
<i>5.9. Election period</i>			
5.9.1. The Committee <b>recommends</b> that members of the Board of Directors elected by the general meeting be up for re-election every year at the annual general meeting.	X		Pursuant to the company's Articles of Association, board members elected by the general meetings are elected for a period of one year.
5.9.2. The Committee <b>recommends</b> that the annual report state when the individual member of the Board of Directors joined the body, whether the member was re-elected and when the current election period expires.	X		Lundbeck's annual report discloses the year in which each director was elected to the Board of Directors. As the Board of Directors elected by the shareholders in general meeting are elected for terms of one year at a time, the company does not disclose information about the expiry of the new election period.
<i>5.10. Board committees</i>			
5.10.1. The Committee <b>recommends</b> that the company publish the following information in the management commentary in its annual report or on the company's website: <ul style="list-style-type: none"> <li>• the terms of reference for the board committees,</li> <li>• important activities of the committees during the year and the number of meetings held by each committee, and</li> <li>• the names of the members of each committee, including the chairmen of the committees, as well as information on which members are independent members and which members have special qualifications.</li> </ul>	X		The specified information is published at the company's website or in the annual report
5.10.2. The Committee <b>recommends</b> that a majority of the members of a board committee be independent	X		The majority of members of the Lundbeck Board committees are independent members in accordance with the cited definition in recommendation 5.4.1.

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members.			
5.10.3. The Committee <b>recommends</b> that the Board of Directors establish an actual <u>audit committee</u> .	X		Lundbeck has established an audit committee consisting of three board members.
5.10.4. The Committee <b>recommends</b> that the following be taken into account in composing the audit committee: <ul style="list-style-type: none"> <li>• the chairman of the Board of Directors should not be chairman of the audit committee, and</li> <li>• between them, the members should possess such an amount of expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit conditions of companies whose shares are admitted to trading on a regulated market.</li> </ul>	X		Lundbeck consider that the members of the audit committee between them have the necessary skills and experience to handle the tasks assigned to the committee.  Lundbeck's chairman of the Board of Directors is not chairman of the audit committee.
5.10.5. The Committee <b>recommends</b> that, prior to the approval of the annual report and other financial reports, the audit committee monitor and report to the Board of Directors about: <ul style="list-style-type: none"> <li>• significant accounting policies</li> <li>• significant accounting estimates,</li> <li>• related party transactions, and</li> <li>• uncertainties and risks, including in relation to the outlook.</li> </ul>	X		In case of significant changes in accounting policies or estimates, related party transactions or changes in risks, the company's audit committee will deal with the changes and notify the Board of Directors.
5.10.6. The Committee <b>recommends</b> that the audit committee: <ul style="list-style-type: none"> <li>• annually consider whether there is a need for an internal audit function, and if so,</li> <li>• formulate recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, and</li> <li>• monitor the Executive Management's follow-up on the conclusions and recommendations of the internal audit function.</li> </ul>	X		Lundbeck has an internal audit function. The audit committee monitor activities related to the internal audit function and Executive Managements follow-up on conclusions and recommendations from the internal audit function.

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<p>5.10.7. The Committee <b>recommends</b> that the Board of Directors establish a <u>nomination committee</u> with at least the following preparatory tasks: describe the qualifications required in the two governing bodies and for a given position, state the expected time commitment for a position and evaluate the balance of skills, knowledge and experience available in the two governing bodies.</p> <ul style="list-style-type: none"> <li>• annually evaluate the structure, size, composition and performance of the governing bodies and make recommendations to the Board of Directors with regard to any changes,</li> <li>• annually evaluate the skills, knowledge and experience of the individual members of the governing bodies and report such details to the Board of Directors,</li> <li>• consider proposals submitted by relevant persons, including shareholders and members of the governing bodies, for candidates for executive positions, and</li> <li>• identify and recommend to the Board of Directors candidates for the governing bodies.</li> </ul>		X	<p>The tasks of a nomination committee are carried out by the Chairmanship who annually provides the Board of Directors with information about:</p> <ul style="list-style-type: none"> <li>• qualifications required in the two governing bodies and for a given position, the expected time commitment for a position and the balance of skills, knowledge and experience available in the two governing bodies.</li> <li>• the structure, size, composition and performance of the governing bodies including suggested changes,</li> <li>• skills, knowledge and experience of the individual members of the governing bodies,</li> <li>• proposals submitted by relevant persons, including shareholders and members of the governing bodies, for candidates for executive positions.</li> <li>• identified and recommended candidates for the governing bodies.</li> </ul>
<p>5.10.8. The Committee <b>recommends</b> that the Board of Directors establish a <u>remuneration committee</u> with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• make proposals, for the approval of the Board of Directors prior to approval at the general meeting, on the remuneration policy, including the overall principles of incentive pay schemes, for members of the Board of Directors and the Executive Management,</li> <li>• make proposals to the Board of Directors on remuneration for members of the Board of Directors and the Executive Management and ensure that the remuneration is consistent with the company's remuneration policy and the</li> </ul>	X		<p>Lundbeck has established a remuneration committee responsibly of the company's overall remuneration strategy and remuneration of the members of the Executive Management. The objective of the committee is partly to ensure a consistently competitive remuneration, also in a regional perspective, partly to ensure a reasonable balance between remuneration and performance.</p> <p>Furthermore, it is the duty of the committee to ensure that all option/warrant programmes set up for members of the Executive Management are competitive but also conform to best practice in similar companies and industries.</p>

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<p>evaluation of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the Board of Directors and the Executive Management receive from other companies in the group, and</p> <ul style="list-style-type: none"> <li>oversee that the information in the annual report on the remuneration of the Board of Directors and the Executive Management is correct, true and sufficient.</li> </ul>			
<p>5.10.9. The Committee <b>recommends</b> that the remuneration committee do not consult with the same external advisers as the Executive Management of the company.</p>	X		<p>The remuneration committee and Executive Management do not consult with the same external advisors.</p>
<p>5.11. <i>Evaluation of the performance of the Board of Directors and the Executive Management</i></p>			
<p>5.11.1. The Committee <b>recommends</b> that the Board of Directors undertake an annual evaluation of the performance and achievements of the Board of Directors and of the individual members of the body.</p>	X		<p>The Board of Directors has adopted a formal evaluation procedure to ensure systematic evaluation of the work of the Board of Directors and the individual members.</p>
<p>5.11.2. The Committee <b>recommends</b> that the chairman be in charge of the evaluation of the Board of Directors, that the outcome be discussed in the Board of Directors and that the details of the procedure of self-evaluation and the outcome be disclosed in the annual report.</p>	X		<p>The chairman is in charge of the evaluation of the Board and the outcome is disclosed in the annual report.</p>
<p>5.11.3. The Committee <b>recommends</b> that the Board of Directors at least once every year evaluate the work and performance of the Executive Management in accordance with pre-defined criteria.</p>	X		<p>The evaluation of the work and results of the Executive Management forms a natural part of the regular meetings held by the chairman of the Board of Directors and the CEO. A performance plan for Executive Management is established annually.</p>
<p>5.11.4. The Committee <b>recommends</b> that the Executive Management and the Board of Directors establish a procedure according to which their cooperation is</p>	X		<p>The Board of Directors has adopted a formal evaluation procedure to ensure systematic evaluation of the work of the Board of Directors and Executive Management. Further, ongoing evaluation of the cooperation between Executive</p>

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evaluated annually through a formalised dialogue between the chairman of the Board of Directors and the chief executive officer and that the outcome of the evaluation be presented to the Board of Directors.			Management and the Board of Directors is part of the regular meetings held by the chairman of the Board of Directors and the CEO.
<p><b>6. Remuneration of members of the governing bodies</b>                      Openness and transparency about all important issues regarding the principles for and amounts of the total remuneration offered to members of the governing bodies are essential. The principles of the remuneration policy should support a long-term value-creation for the company.</p> <p>Competitive remuneration is a prerequisite for attracting and retaining competent members of the governing bodies. The total remuneration package, i.e. the fixed and variable components and other remuneration components, should be reasonable versus the market and reflect the governing body members' independent performance, responsibilities and value creation in the company. The variable components of the remuneration should be based on actual achievements over a period of time with a view to long-term value creation.</p>			
6.1. Content and form of the remuneration policy			
6.1.1. The Committee <b>recommends</b> that the Board of Directors adopt a remuneration policy applicable to the Board of Directors and the Executive Management.	X		Lundbeck has a remuneration policy for Executive Management and the Board of Directors which is described in the annual report and posted on the company's website, www.lundbeck.com.
6.1.2. The Committee <b>recommends</b> that the remuneration policy and any changes to the policy be approved by the general meeting of the company.	X		Any changes to the remuneration policy mentioned under 6.1.1. are subject to approval at the general meeting.
6.1.3. Committee <b>recommends</b> that the remuneration policy include a thorough description of the components of the remuneration for members of the Board of Directors and the Executive Management.	X		The remuneration policy includes a thorough description of the components of the remuneration for members of the Board of Directors and Executive Management. <b>Error! Hyperlink reference not valid.</b> The remuneration policy is described in the annual report and posted on the company's website, www.lundbeck.com
6.1.4. The Committee <b>recommends</b> that the remuneration policy include: <ul style="list-style-type: none"> <li>• the reasons for choosing the individual components of the remuneration, and</li> <li>• a description of the criteria on which the balance between the individual components of the remuneration is based.</li> </ul>	X		The remuneration policy for the Board of Directors and Executive Management includes the reasons for choosing the individual components of the remuneration and a description of the criteria on which the balance between the individual components of the remuneration is based. The remuneration policy is described in the annual report and posted on the company's website, www.lundbeck.com

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<p>6.1.5. The Committee <b>recommends</b> that, if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> <li>• limits be set on the variable components of the total remuneration package,</li> <li>• a reasonable and balanced linkage be ensured between remuneration for governing body members, expected risks and the value creation for shareholders in the short and long term,</li> <li>• there be clarity about performance criteria and measurability for award of variable components, and</li> <li>• there be criteria ensuring that vesting periods for variable components of remuneration agreements are longer than one calendar year.</li> </ul>	X		<p>The remuneration of the Executive Management and the company's executives consists of a combination of a fixed salary, bonus and share based instruments. The Board of Directors believes that this split of the remuneration into three components ensure that the company's management retains its focus on the company's operations in the short term as well as the longer term strategies/objectives. This will in turn ensure that management endeavours to optimise shareholder value.</p> <p>The value of the Executive Management's bonus programme can not exceed 6 months salary for EVPs and 9 months salary for the CEO. There are no unusual severance packages for members of the Executive Management.</p>
<p>6.1.6. The Committee <b>recommends</b> that remuneration of members of the Board of Directors do not include share or warrant programmes.</p>	X		<p>Members of the company's Board of Directors receive a fixed annual remuneration. The remuneration do not include bonus and incentive programmes.</p>
<p>6.1.7. The Committee <b>recommends</b> that if members of the Executive Management receive share-based remuneration, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should not be exercisable earlier than three years from the date of grant. An explanation of the relation between the redemption price and the market price at the time of grant should be provided.</p>	X		<p>Executive Management receives stock-based remuneration that meets the specified requirements. The remuneration programme is described in the annual report and on the company's website, <a href="http://www.lundbeck.com">www.lundbeck.com</a>.</p> <p>The Board of Directors believes that the LTI programmes implemented promote long-term behavior. The LTI warrant implemented programmes are valued according to Black &amp; Scholes.</p>
<p>6.1.8. The Committee <b>recommends</b> that, in exceptional cases, companies should be able to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be manifestly misstated.</p>	X		<p>In accordance with the recommendations, in exceptional cases, the company is entitled to reclaim in full or in part financial benefits received by the executive, if it is ascertained that the financial benefits were received on the basis of information that subsequently proves to be misstated, and provided that the executive is acting in bad faith.</p>
<p>6.1.9. The Committee <b>recommends</b> that termination payments should not amount to more than two years' annual remuneration.</p>	X		<p>The Board of Directors has adopted a general policy that severance payments to Executive Management should not amount to more than two years' annual remuneration.</p>

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason: According to the Danish Financial Statement Act sec.107b (1)(3), the company must state the reason for not complying with certain parts of the recommendations.
<i>6.2. Disclosure of the remuneration policy</i>			
6.2.1. The Committee <b>recommends</b> that the remuneration policy be clear and easily understandable and that it be disclosed in the annual report and posted on the company's website.	X		The remuneration policy is described in the annual report and posted on the company's website, www.lundbeck.com.
6.2.2. The Committee <b>recommends</b> that the company's remuneration policy and compliance with this policy be explained and justified in the chairman's statement at the company's general meeting.	X		At the company's general meeting, the chairman addresses the company's remuneration policy and compliance with the policy.
6.2.3. The Committee <b>recommends</b> that the total remuneration granted to each member of the Board of Directors and the Executive Management by the company and other consolidated companies be disclosed in the (consolidated) financial statements and that the linkage with the remuneration policy be explained.		X	Lundbeck disclose the individual remuneration paid to the CEO and the combined remuneration paid to the other members of the company's Executive Management. It is the company's judgement that disclosure of the remuneration paid to each individual member of the Executive Management will not add additional value for shareholders and other stakeholders. Lundbeck disclose the individual remuneration granted to each member of the Board of Directors in the annual report.
6.2.4. The Committee <b>recommends</b> that the details of any defined-benefit schemes offered to members of the Board of Directors or the Executive Management and the actuarial value of such schemes as well as changes during the year be included as part of the information on the total remuneration.	X		Lundbeck do not offer defined-benefit schemes to members of the Board of Directors or the Executive Management.
6.2.5. The Committee <b>recommends</b> that the most important aspects of retention and severance programmes be disclosed in the company's annual report.	X		Most important aspects of retention and severance programmes are disclosed in the annual report.
6.2.6. The Committee <b>recommends</b> that the proposal for remuneration of the Board of Directors for the current financial year be approved by the shareholders at the general meeting.	X		At the company's general meeting, the chairman addresses the remuneration of the Board of Directors. The remuneration appears from the company's annual report and is approved each year at the company's general meeting.

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason: According to the Danish Financial Statement Act sec.107b (1)(3), the company must state the reason for not complying with certain parts of the recommendations.
<p><b>7. Financial reporting</b></p> <p>Each member of the Board of Directors and the Executive Management is responsible for preparing the annual report and other financial reports in accordance with current legislation, applicable standards and any further requirements concerning financial statements stipulated in the articles of association, etc.</p> <p>The members of the said governing bodies must ensure that the financial reporting is easy to understand and balanced and provides a true and fair view of the company's financial position, performance and cash flow. The management commentary must give a true and fair presentation of the state of affairs, including the outlook.</p>			
<p>7.1. Other relevant information</p>			
<p>7.1.1. The Committee <b>recommends</b> that the annual report and other financial reports be supplemented by additional financial and non-financial information, if deemed necessary or relevant in relation to the information needs of the recipients.</p>	<p>X</p>		<p>Lundbeck strives to deliver financial reports in accordance to best practise, consequently all annual reports and other financial reports are supplemented by additional financial and non-financial information, if deemed necessary or relevant in relation to the information needs of the recipients.</p>
<p>7.2. Going concern assumption</p>			
<p>7.2.1. The Committee <b>recommends</b> that, upon consideration and approval of the annual report, the Board of Directors decide whether the business is a going concern, including supporting assumptions or qualifications where necessary.</p>	<p>X</p>		<p>Upon consideration and approval of the annual report, the Board of Directors decide whether the business is a going concern, including supporting assumptions or qualifications where necessary.</p>
<p><b>8. Risk management and internal control</b></p> <p>Effective risk management and an effective internal control system contribute to reducing strategic and business risks, to ensuring observance of current rules and regulations and to ensuring the quality of the basis for management decisions and financial reporting. The company's choice of strategy naturally involves risk. It is essential that the risks are identified and communicated, and that the risks are managed appropriately.</p> <p>Effective risk management and internal control are a precondition for the Board of Directors and the Executive Management to efficiently perform the tasks bestowed upon them. Consequently, it is essential that the Board of Directors ensures effective risk management and effective internal control systems.</p>			
<p>8.1. Identification of risks</p>			
<p>8.1.1. The Committee <b>recommends</b> that the Board of Directors at least once every year identify the most important business risks associated with the realisation of the company's strategy and overall goals as well as the risks associated with financial reporting.</p>	<p>X</p>		<p>Lundbeck takes a systematic approach to risk management. The Board of Directors evaluates the company's risk management process once a year. The company has identified the most significant risks, which are monitored in an ongoing process by management as well as the Board of Directors.</p>

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason: According to the Danish Financial Statement Act sec.107b (1)(3), the company must state the reason for not complying with certain parts of the recommendations.
8.1.2. The Committee <b>recommends</b> that the Executive Management currently report to the Board of Directors on the development within the most important areas of risk and compliance with adopted policies, frameworks etc. in order to enable the Board of Directors to track the development and make the necessary decisions.	X		The most significant risks are monitored on an ongoing basis by management as well as the Board of Directors to ensure that necessary decisions are made.
<i>8.2. Whistleblowing</i>			
8.2.1. The Committee <b>recommends</b> that the Board of Directors decide whether to establish a whistleblowing scheme for expedient and confidential notification of possible or suspected wrongdoing.	X		Lundbeck has established a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.
<i>8.3. Openness about risk management</i>			
8.3.1. The Committee <b>recommends</b> that the management commentary in the annual report include information about the company's management of business risks.	X		The company's risk management activities are disclosed in the annual report.
<b>9. Audit</b> Ensuring an independent, competent and thorough audit is an essential element of the work of the Lundbeck Board of Directors.			
<i>9.1. Contact to auditor</i>			
9.1.1. The Committee <b>recommends</b> that the Board of Directors maintain a regular dialogue and exchange of information with the auditor.	X		The audit committee holds several annual meetings with external and internal auditors to identify significant risk areas and discuss substantial accounting issues. Based on the discussions, the audit committee reports back to the Board of Directors.  To close the year-end audit, the external auditors prepare a long-form audit report, which is presented to the audit committee for their review and discussion. At the subsequent board meeting, at which the financial statements are approved, the external auditors review the long-form audit report together with the members of the Board of Directors.
9.1.2. The Committee <b>recommends</b> that the auditor agreement and auditors' fee be agreed between the	X		The company's audit committee negotiates the audit agreement, including fees to the auditors, and presents the agreement for approval by all members of the Board of

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason: According to the Danish Financial Statement Act sec.107b (1)(3), the company must state the reason for not complying with certain parts of the recommendations.
Board of Directors and the auditor on the basis of a recommendation from the audit committee.			Directors.
9.1.3. The Committee <b>recommends</b> that the Board of Directors and the audit committee meet with the auditor at least once every year without the Executive Management present. This also applies to the internal auditor, if any.	X		The Board of Directors and the audit committee meet with the external and internal auditors at least once every year without the Executive Management present.
<i>9.2. Internal audit</i>			
9.2.1. The Committee <b>recommends</b> that the Board of Directors, on the basis of a recommendation from the audit committee, once every year decide whether to establish an internal audit for support and control of the company's internal control and risk management systems and state the reasons for its decision in the annual report.	X		The Board of Directors has set up an internal audit function to assist the audit committee. Main task of the internal audit function is to assess internal control systems and risk management systems. Based on the work conducted by the internal auditors (and external auditors), the audit committee reviews and assess the internal control systems and the management's guidelines for such systems annually, and either recommends that the Board of Directors approve the systems or ensures that necessary improvements are implemented.