

**ALK-Abelló A/S**

**REMUNERATION COMMITTEE**

**TERMS OF REFERENCE**

## **1 INTRODUCTION**

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

## **2 MEMBERSHIP**

- 2.1 The Committee shall consist of three members of the Board of Directors.
- 2.2 The Board of Directors shall appoint the members of the Committee. Appointment usually takes place at the Board of Directors Meeting following the Annual General Meeting, and members shall be Directors whose nominations for such appointment have been reviewed and approved by the Board of Directors.
- 2.3 The Board of Directors elects a Chairman, who is not an executive director or employee of the Group.
- 2.4 Committee members are elected for a one-year term, and members as well as Chairman are eligible for reappointment. The Board of Directors may reappoint or remove any member of the Committee at any time.
- 2.5 If the number of Committee members falls below three, the Board of Directors shall endeavour to fill the vacancy within two months and in any case the Board of Directors shall within three months of such event appoint any Director whose nomination has been reviewed and approved by the Board of Directors as a member as may be required to make up the minimum number of three members.

## **3 INDEPENDENCE**

- 3.1 No member of the Committee shall be:
  - 3.1.1. an executive director of the Group or any related corporation
  - 3.1.2. a spouse, parent, brother, sister, son or adopted son, daughter or adopted daughter of an executive director of the Group or of any related corporation; or
  - 3.1.3. an affiliated person of the Group; or
  - 3.1.4. a receiver of any consulting, advisory or other compensatory fee from the Group, other than the fee as member of the Board of Directors, the Audit Committee and the

Remuneration Committee for the Group, or other compensation agreed to by the Board of Directors

- 3.1.5. any person having a relationship which in the opinion of the board would interfere with the exercise of the independent judgement in carrying out the functions of the committee.

#### **4 MEETINGS AND ATTENDANCE**

- 4.1 The Committee shall meet as often as it deems necessary, however, not less than three times a year. Any member may call a meeting. The CEO and the Head of HR will help the Chairman prepare agenda and meetings and participate in meetings most of the time. However, for the selected executive compensation issues it is expected that the Committee will deliberate without management being present.
- 4.2 A Committee resolution may be passed over the phone or in writing if needed. The proposed resolution shall be forwarded to the members, and the Chairman shall seek to obtain a written, oral or electronically transferred statement from the Committee members and ensure that the resolution is recorded in the minute book.
- 4.3 Any resolution in writing, signed or assented to by all the Committee members shall be as valid as if it had been passed at a Committee meeting duly called and constituted.
- 4.4 Each member of the Committee shall have one vote.
- 4.5 No business shall be transacted at a meeting unless at least two members of the Committee are present.
- 4.6 At all meetings the Chairman shall preside. If the Chairman is absent, the members present at the meeting shall elect a Chairman of the meeting.
- 4.7 The Head of HR shall be the secretary to the Committee. The Secretary shall be in attendance at Committee meetings, take minutes and circulate these to all members of the Committee.
- 4.8 Following each meeting the Chairman will report to the Board of Directors on any matter that should be brought to the Board of Directors' attention.

#### **5 FUNCTION**

The Committee is required to review and make recommendations to the Board of Directors on following items:

- 5.1 The level and principles of the remuneration policy of the Company and its subsidiaries
- 5.2 The Company's policy and structure for all remuneration, fees, and criteria of performance for CEO and Executive Vice Presidents
  - 5.2.1 Review of the remuneration including changes to the Base Salary, Pension, Bonus, and Long Term Incentives grants.
  - 5.2.2 Annual individual performance plans for the CEO and Executive Vice Presidents

- 5.2.3 Individual accomplishments relative to the performance plan and subsequent payout in bonus plan for the CEO and Executive Vice Presidents
  - 5.2.4 Act as a reference committee in hiring and terminations
  - 5.2.5 Any change to the remuneration or contract terms
  - 5.2.6 Any termination settlement. A termination payment to any other departing key employee must be reported to the Committee at its next meeting
  - 5.2.7 Succession Management for the CEO, Executive Vice Presidents and key employees.
- 5.3 Board of Directors
- 5.3.1 Terms of remuneration for the directors of the Board of Directors for subsequent approval by the shareholders at the Annual General Meeting
  - 5.3.2 Remuneration of committees
  - 5.3.3 The Committee will request management and/or external consultants to provide necessary information upon which the Board of Directors may make its decisions
- 5.4 Disclosure of remuneration requirements in the Company's public materials
- 5.5 Employee share, option and other equity based plans
- 5.5.1 review and make recommendations to the Board of Directors regarding the design of all equity based plans
  - 5.5.2 keep all plans under review with regards to legislative, regulatory and market developments
  - 5.5.3 review and make recommendations to the Board of Directors regarding proposed aggregate and individual grants under each plan
  - 5.5.4 review performance measures for each equity plan and make recommendations to the Board of Directors
- 5.6 In addition to above the Committee will:
- 5.6.1 investigate any matter brought to its attention, within the scope of its duties, with the power to obtain independent professional advice
  - 5.6.2 call any member of staff to be questioned at a meeting of the Committee as and where required.

## **6 CHAIRMAN'S RESPONSIBILITY**

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

## **7 THE GRANDFATHER PRINCIPLE**

- 7.1 A major decision has to be approved by the manager's manager ("the grandparent"). Consequently, the Committee also approves all decisions made by the CEO concerning personal compensation and benefits to "other key employees" reporting to the CEO.

## **8 AMENDMENT**

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

Hørsholm, 1 April 2011