

ANNUAL GENERAL MEETING OF ALK-ABELLÓ A/S – 15 MARCH 2017

Remuneration Guidelines for the Board of Directors and the Board of Management in ALK-Abelló A/S (in Danish: Vederlagspolitik)

1. Introduction

According to Recommendations on Corporate Governance, the Board of Directors is recommended to define a remuneration policy applicable to the Board of Directors and the Board of Management and subject to approval by the General Meeting. The remuneration guidelines for ALK-Abelló A/S (“ALK”) are prepared in accordance with the Recommendations on Corporate Governance.

The aim of these guidelines is to provide a framework for remuneration at ALK, and together with the Guidelines for incentive pay (in Danish: Overordnede retningslinjer for incitamentsafløgning), a framework for the variable pay component based on ALK’s short-term and long-term objectives and aligned with the interests of the shareholders, thereby ensuring that the remuneration structure does not lead to carelessness, unreasonable conduct or acceptance of unusual risk.

The approved guidelines cover remuneration to be agreed after 15 March 2017.

In addition to these Remuneration Guidelines for the Board of Directors and the Board of Management in ALK (in Danish: Vederlagspolitik), also Guidelines for incentive pay (in Danish: Overordnede retningslinjer for incitamentsafløgning) apply in relation to remuneration at ALK. Both guidelines are available on ALK’s website.

2. Board of Directors

2.1 Process

The Board of Directors reviews board fees annually. The remuneration of the board members for the past year and the level for the current year are approved by the Annual General Meeting.

2.2 Composition and size

The Board of Directors receives a fixed fee per year. The board members receive a fixed amount (the base fee) while the Chairmanship receives a multiple thereof: the Chairman receives 3 times the base fee and the Vice Chairman 2 times the base fee.

Service on the committees entitles board members to an additional committee fee and the chairman of the committee to 1.5 times the committee fee.

2.3 Travel allowance and expenses

Expenses such as tax, travel and accommodation in relation to board meetings are reimbursed.

3. Board of Management

The remuneration for the Board of Management concerns all ALK executives registered with the Danish Business Authority. Under ALK's Articles of Association, the registered Board of Management shall consist of not less than one and not more than six members. The Board of Management currently consists of five members.

The employment terms and the remuneration to the Board of Management are specifically agreed between each individual member of the Board of Management and the Board of Directors, and the remuneration usually includes all components listed under 3.3.

3.1 Process

The remuneration for the Board of Management is recommended by the Remuneration Committee and subsequently approved by the Board of Directors. Levels are evaluated annually against a benchmark of relevant Danish companies as well as European biopharmaceutical companies of comparable market capitalisation, stage of development, and therapeutic area. The Committee reviews market data for each executive's position, including information relating to the mix and levels of remuneration.

3.2 Principles

ALK rewards the Board of Management in accordance with the principles set out below.

Market competitive remuneration

ALK offers market competitive remuneration opportunities to attract, retain, and motivate the talent needed to achieve ALK's vision and business objectives.

Pay for performance

An appropriate proportion of the remuneration package is performance-based to ensure that remuneration links to the achievement of key financial and non-financial objectives with a balance of short- and long-term performance components.

Alignment with the values

4 values underpin ALK's company culture and provide broad guidance to employees:

- Progressive
- Trustworthy
- Focused
- United

Remuneration plans are designed and communicated in a manner that reinforces the linkage to business objectives, vision, and culture.

Alignment with shareholders

ALK's remuneration plans will align the interests of the Board of Management in driving value creation for the shareholders.

3.3 Components and size

The aggregate remuneration paid to members of the Board of Management consists of the following components:

3.3.1 Fixed salary (“Base Salary”)

The fixed salary serves the purpose of attracting and retaining the best qualified members of the Board of Management as well as a balanced remuneration package. It accounts for approximately 40-60% of the total value of the remuneration package. The level for the individual members of the Board of Management is set by considering the scope of the role, the level of experience of the individual, the geographical location of the role, internal relativity, motivation to join ALK, and external economic environment.

During the annual evaluation, individual performance, potential and current remuneration market competitiveness will be combined to assess any proposed salary revision. To attract new members to the Board of Management, an upfront sign-on payment can be granted and costs incurred in relation to relocation can be reimbursed.

3.3.2 Pension and benefits

Pension contributions can be made to build up an income for retirement for executives. The executive remuneration package at ALK includes pension contributions of up to 15% of the Base Salary. No other special pension schemes have been established for the Board of Management. The remuneration package also includes the usual non-pay benefits, such as car, phone, newspaper, etc. which serve the purpose of a competitive package aligned with local practice.

3.3.3 Incentive plans

To ensure a strong alignment of interests between ALK’s shareholders and the Board of Management, the executive remuneration package also consists of incentive plans which will be granted in accordance with the Guidelines for incentive pay for the Board of Directors and the Board of Management in ALK (in Danish: Overordnede retningslinjer for incitaments aflønning).

3.4 Termination payments

Consistent with the Committee on Corporate Governance recommendations on corporate governance of May 2013 (updated November 2014), ALK operates with agreements on termination payments that do not exceed 2 years’ annual remuneration.

4. Approval and publication

These guidelines were considered and approved at ALK’s Annual General Meeting held on 15 March 2017.

The guidelines are posted on ALK’s website at <http://ir.alk.net/corporate-governance.cfm>. Moreover, the annual report includes a list of the aggregate salaries paid to the members of the Board of Management as well as the number of share options granted and outstanding and the value thereof.

In the capacity of chairman of the meeting:

Niels Kornerup