

Corporate Governance Report

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2023

Yoshifumi
Living with depression

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This Statutory Corporate Governance Report covers the period 1 January 2023 to 31 December 2023 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 2023. Appendix 1 is not subject to the auditor's report in the Annual Report.

OTHER REPORTS



Also find our Annual Report, Sustainability Report and Remuneration Report on → [Lundbeck.com](https://www.lundbeck.com)

Front Page

Yoshifumi Kobayashi is from Japan. He is living with depression since 2019.

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 the Danish Committee on Corporate Governance (www.corporategovernance.dk).

Lundbeck follows the applicable recommendations in all material aspects and a detailed report of Lundbeck's compliance with and deviations from the Danish Corporate Governance Recommendations can be found in Appendix 1.

Corporate risk management

Essential for Lundbeck's effective risk management process is a systematic risk assessment, the ability to respond to a changing environment and efficient monitoring.

The principal aim of Lundbeck's risk management process is to identify and mitigate risks while keeping the right balance between risk exposure and value creation. Our risk management processes are continuously updated and adapted to meet internal and external requirements. This process provides our Executive Management with an accurate and complete overview of activities and resources, as well as a clear basis for decision-making on our overall risk exposure.

The Board of Directors is overall responsible for ensuring that Lundbeck has implemented the necessary risk management procedures. The oversight of compliance within the established enterprise risk management framework has been delegated to the Audit Committee.

The process starts in the decentralized teams within each of the Executive Management areas, which have detailed and extensive knowledge of the risks within their areas of responsibility. They systematically identify, quantify, respond to and monitor risks. They are ideally placed to mitigate Lundbeck's risk exposure in the first instance.

Each area shares the risks with the central Risk Office material updates occur, and at least on a semi-annual basis. The central Risk Office provides

the risk framework, assess and understands the risks, and conducts interviews with management, risk contributors and risk responsible individuals. This represents an integral part in the alignment of risks reported to the Risk Office. In cooperation with each Executive Management area, the Risk Office assesses the likelihood of an event occurring and the potential impact on the Group.

RISK REPORTING AND ASSESSMENT

Risk reporting is an integral part of doing business and of Lundbeck's overall reporting process. Our corporate risk register provides a consolidated picture of our risk exposure by detailing each risk, risk category and type. Our reporting process defines six risk categories. The risk descriptions provide details of the event, its current status, the status of the response, an assessment of likelihood and potential impact, and the name of the person responsible for managing the risk. Using this information, the Risk Office assesses the overall risk exposure and discusses it with Executive Management and finally consolidates the main risks in a two-dimensional risk 'heat map' which is reviewed by Lundbeck's Audit Committee at least twice a year, and if any material updates occur on an ad hoc basis, after which it is shared with the Board of Directors.

The Risk Office evaluates and independently stress tests the selected risks and mitigating initiatives of the most significant identified risks for Lundbeck.

INTERNAL RISK MANAGEMENT PROCESSES AND AUDIT FUNCTIONS

Strong corporate governance is an essential part of the way we manage our business and is also integral to protecting our reputation. We have the right systems and processes in place to ensure proactive risk management, and we deliver fast and accurate reports on the risk profile of marketed products as well as on operational, tactical and strategic financial planning.

Our Code of Conduct is pivotal to Lundbeck's approach to compliance. It helps ensure that we comply with international laws and regulations, pharmaceutical industry association standards and corporate reporting requirements. We conduct regular audits of our business against our Code of Conduct. We revise our procedures to meet changing regulations, to implement best practice and to respond to audit observations.

The marketing of pharmaceutical products is strictly regulated, and we are committed to complying with these regulations. Our employees and third parties involved in the marketing of our products are trained to comply with all relevant laws and regulations. We have systems in place to provide fair, accurate and comprehensive information on our products.

Lundbeck has implemented an "Audit Coordination Group" to ensure that the established second line of defense functions covers the identified risks globally. The coordination of the audit scope

ensures global risk assurance across all key functions of the organization. As part of the risk management setup in Lundbeck, combined compliance reviews are conducted across departments and responsibilities.

At Lundbeck, we are committed to having an open and honest dialogue about ethical dilemmas. Our Compliance Hotline allows people to report any legal or other concerns they have so that the company can quickly address them. The hotline can be used by both internal and external stakeholders and is a part of our efforts to continually improve our approach to compliance.

A detailed description of the most significant risks can be found in the 2023 Annual Report.

Internal controls

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 mitigate 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 mitigated. Furthermore, the purpose is also to support a complex commercial business, focusing on quality, effectiveness and strong ethics in everyday transactions and decisions.

The Board of Directors has set up an Audit Committee, which has an advisory role in relation to the Board of Directors, including on matters such as internal controls in the financial reporting procedures, 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 Audit Committee meetings. The external

auditors present their audit strategy and findings to the Audit Committee.

CONTROL ENVIRONMENT

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

Lundbeck has set up a central controlling function to check the financial reporting from all business areas, 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.

SUPERVISION OF INTERNAL CONTROLS AND MANAGEMENT

The Executive Management regularly assesses the risks that Lundbeck is exposed to, in relation to financial reporting. Any changes that could affect Lundbeck's risk environment, Executive Management will review and consider appropriate mitigating actions together with the Board of Directors. 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 the 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

There are several control activities performed within Lundbeck. The control activities are based on a risk assessment and continuous risk control processes are in place. 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, discrepancy and error.

One key element of the control activity is the Internal Control Framework covering the key-risks for Lundbeck. The purpose of the framework is to ensure an acceptable level of assurance to mitigate the risks of unintentional and intentional errors and fraud. At the same time, one global framework brings standardized controls across all entities increasing efficiency of site visits and making rotation between entities easier.

The requirements have been defined in respect of analyses, key figures, monthly financial data, etc. in the financial information that forms 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 to ensure compliance with any requirements regarding notes, other disclosure requirements and operational analyses.

Within Group Finance, Lundbeck has established a Financial Compliance area comprising general compliance subjects and Enterprise Risk Management. The department performs financial compliance site reviews where the scope is based on a risk assessment and includes review of financial processes and internal controls focusing on the Internal Control Framework among other general financial compliance subjects. The defined compliance site review plan is approved annually by the Audit Committee.

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 the International Financial Reporting Standards as adopted by the EU.

As a result of the 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 the segregation of functions and duties, reconciliations, approval and authorization and accounting policies. The manuals are accessible on Lundbeck's intranet.

MONITORING

The risk assessment and control activities are monitored on an ongoing process. The process includes entity wide controls to ensure the monitoring of the financial results, which are compared to budgets and estimates, analytical controls, reconciliations and management approvals based on the Authorization and Signing Policy. Major weaknesses and non-compliance with the internal guidelines are reported to the Audit Committee, who monitor all issues.

As part of their audit of the financial statements, the external auditors elected at the annual general meeting, report on major weaknesses in Lundbeck's internal controls in the long-form audit report to the Board of Directors, whilst less significant weaknesses are addressed in a management letter to the CFO. 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, the subsidiary managers and financial controllers declare that their reporting information 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.

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

Lundbeck's Board of Directors is responsible for approving the corporate strategy, setting goals for the Executive Management, and for ensuring that members of the Executive Management and other senior 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 procedures for risk management and internal controls are in place, and for addressing any relevant key risks. This responsibility is defined in the Danish Companies Act and stipulated in the rules of procedures for the Board of Directors.

The Board has twelve members of whom eight are elected by the shareholders at the annual general meeting, and four are Lundbeck employees from Denmark elected by the employees.

In March 2023, the shareholders elected the following members to the Board of Directors:

- Lars Søren Rasmussen (Chair of the Board)
- Lene Skole-Sørensen (Deputy Chair of the Board)
- Ilse Dorothea Wenzel (Member of the Board)
- Jeffrey Berkowitz (Member of the Board)
- Jeremy Max Levin (Member of the Board)
- Lars Erik Holmqvist (Member of the Board)
- Santiago Arroyo (Member of the Board)
- Jakob Riis (Member of the Board)

In 2022, the employees elected the following members to the Board of Directors:

- Camilla Gram Andersson (Member of the Board – employee representative)
- Hossein Armandi (Member of the Board – employee representative)
- Dorte Clausen (Member of the Board – employee representative)

- Lasse Skibsbye (Member of the Board – employee representative)

BOARD COMMITTEES

The Board of Directors has set up three advisory committees: The Audit Committee, the Remuneration & Nomination Committee and the Scientific Committee. The three committees advise the Board of Directors on financial information and reporting, the company's nomination and remuneration strategy, including the remuneration of the Executive Management, and R&D strategy and pipeline evaluation, 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 team consists of eight members appointed by the Board of Directors:

- Charl van Zyl, Chief Executive Officer (CEO)^{1 3}
- Joerg Hornstein, Executive Vice President, Chief Financial Officer (CFO)¹
- Jacob Tolstrup, Executive Vice President, Commercial Operations¹
- Johan Luthman, Executive Vice President, Research and Development¹
- Lars Bang, Executive Vice President, Product Development & Supply¹
- Elise Hauge, Executive Vice President, People & Communication^{2 4}
- Keld Flintholm Jørgensen, Executive Vice President, Corporate Strategy and Business Development²
- Thomas Gibbs, Executive Vice President, Head of Lundbeck U.S.²

¹ Member of the Executive Management as registered with the Danish Business Authority

² Participates in the Executive Management team, but is not a member of the Executive Management as registered with the Danish Business Authority

³ Charl van Zyl replaced Deborah Dunsire as CEO as of 1 September 2023

⁴ Elise Hauge resigned from her position on 31 december 2023

REMUNERATION TO THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

Remuneration to the Board of Directors and the Executive Management is based on the Remuneration Policy approved at the AGM. The Remuneration Policy is available at the corporate website.

The remuneration to Lundbeck's Board of Directors and the Executive Management is annually benchmarked against Danish and international markets. The Board of Directors approves the remuneration for the Executive Management within the frame of the Remuneration Policy, while the remuneration to the Board of Directors is approved by the shareholders at the AGM.

Board of Directors

The members of Lundbeck's Board of Directors receive a fixed remuneration and are not included in the company's bonus and incentive programs in the form of cash bonus, warrants or shares. In addition, the members of the Audit, Nomination & Remuneration and Scientific Committees receive a separate fee.

In 2023, an ordinary member of the Board of Directors received DKK 400,000, while the Chair and Deputy Chair each received triple and double the basic fee, respectively. Members of the Audit, Remuneration and Scientific Committees received DKK 200,000 in 2023. The Chairs of the committees received 1.5 times this fee, i.e. DKK 300,000. The board members with permanent residence outside of Europe received an additional DKK 400,000.

Executive Management

The remuneration package for the Executive Management team is structured to reward the achievement of ambitious short-term objectives and also to provide incentives to focus on long-term goals. The package consists of a base salary, short- and long-term incentive programs, pension and other fringe benefits and payments. The level of total remuneration is set respecting the above-mentioned benchmarks – thus ensuring a market related and competitive total remuneration.

The short-term incentive is awarded as an annual bonus, if agreed targets for the preceding financial year are met. The CEO can receive up to fourteen (14) months' base salary as a bonus pay-out following exceptional results. The other members of the Executive Management team can receive either up to six (6) months' base salary or for those who are entitled to 10% pension contribution, up to nine (9) months' base salary as a bonus, both on the condition of exceptional results.

In addition, the members of the Executive Management team participate in long-term incentive programs based on performance share units. The programs are based on generating value for shareholders and can be accessed when pre-defined short/midterm targets required to meet the company's long-term strategic targets are achieved. The pension plan for Executive Management is a defined contribution plan, the contribution from the company's side is set with the total remuneration level in mind. On the termination of employment, the members of Executive Management receive no more than two years' salary.

Board Committees

AUDIT COMMITTEE

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

The Audit Committee provides advice on the basis of:

- Meetings with the Executive Management internal compliance functions and independent auditors.
- Management's recommendations 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, plans and review of status on financial reviews procedures performed by Group Finance.
- 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.

- Review of the company's annual, mid-year and quarterly reports.

In March 2023, the Board of Directors elected Dorothea Wenzel as Chair of the Audit Committee and Lars Erik Holmqvist and Lars Søren Rasmussen as members.

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

NOMINATION & REMUNERATION COMMITTEE

The purpose of the Nomination & Remuneration Committee is to provide the Board of Directors with the best possible basis for making decisions on the nomination of Executive Management members and members of the Board of Directors and remuneration provided to the members of the Executive Management and on the company's overall remuneration policy. The Committee also handles assignments related to recruitment and appointments to Lundbeck's Executive management.

In March 2023, the Board of Directors elected Lars Søren Rasmussen as Chair of the Nomination & Remuneration Committee and Lene Skole-Sørensen and Jeffrey Berkowitz as members of the

Committee. More than half of the members are independent.

SCIENTIFIC COMMITTEE

Lundbeck's Board of Directors has a Scientific Committee, the purpose of which is to advise the Board of Directors on the support for strategic R&D and pipeline evaluation.

In March 2023, the Board of Directors elected Jeremy Max Levin as Chair and Jeffrey Berkowitz, Lene Skole-Sørensen, Santiago Arroyo and Jakob Riis as members of the Scientific Committee. More than half of the members are independent.



Corporate Governance Recommendations

The report concerns the financial year 1 January 2023 to 31 December 2023

RECOMMENDATION	THE COMPANY COMPLIES	THE COMPANY COMPLIES PARTIALLY	THE COMPANY DOES NOT COMPLY	THE EXPLANATION FOR COMPLYING PARTIALLY/NOT COMPLYING WITH THE RECOMMENDATION
1. Interaction with the company's shareholders, investors and other stakeholders				
1.1. Communication with the company's shareholders, investors and other stakeholders				
<p>1.1.1. The Committee recommends that the management through ongoing dialogue and interaction ensures that shareholders, investors and other stakeholders gain the relevant insight into the company's affairs, and that the board of directors obtains the possibility of hearing and including their views in its work.</p>	X			<p>Lundbeck has an ongoing dialogue with its shareholders, especially the Lundbeck Foundation who is a majority shareholder and which is represented in the Board of Directors. Lundbeck is conducting regular roadshows, meetings and participates in investor conferences. 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 corporate releases are published in English and all press releases are published in both Danish and English. The interim financial reports, the annual report and the company magazine are published in English.</p> <p>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>Lundbeck's stakeholders are addressed and discussed on a regular basis at Board meetings and strategy Board seminars.</p>

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<p>1.1.2. The Committee recommends that the company adopts policies on the company's relationships with its shareholders, investors and if relevant other stakeholders in order to ensure that the various interests are included in the company's considerations and that such policies are made available on the company's website.</p>	X			<p>Lundbeck has adopted a policy on information and communication (Communication policy (lundbeck.com)) and has communication strategies for providing information to relevant stakeholders.</p> <p>Lundbeck has a purpose and beliefs that reflect the company's business concept, objectives and fundamental management principles. In addition, Lundbeck has a specific group communication policy (Communication policy (lundbeck.com)) and a code of conduct (Responsible business conduct (lundbeck.com)) defining guidelines for the 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.</p> <p>Lundbeck maintains a regular contact with its major stakeholders including investors, employees, partners, suppliers, organizations and authorities.</p>
<p>1.1.3. The Committee recommends that the company publish quarterly reports</p>	X			<p>Lundbeck publishes annual, mid-year and quarterly reports.</p>
<p>1.2. The general meeting</p>				
<p>1.2.1. The Committee recommends that the board of directors organises the company's general meeting in a manner that allows shareholders, who are unable to attend the meeting in person or are represented by proxy at the general meeting, to vote and raise questions to the management prior to or at the general meeting. The Committee recommends that the board of directors ensures that shareholders can observe the general meeting via webcast or other digital transmission.</p>	X			<p>The Annual General Meeting is convened by the Board of Directors giving not less than three weeks' notice and not more than five weeks' notice.</p> <p>Lundbeck 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.</p> <p>Furthermore, all shareholders are entitled to have specific issues or questions considered at the general meeting, subject to submitting a written request to the Board of Directors in time for the issue or question to be included on the agenda for the meeting.</p> <p>The general meeting is conducted by physical attendance at Lundbeck's headquarters in Valby with a live webcast on www.lundbeck.com; and shareholders can vote via proxy prior to the meeting.</p>

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1.2.2. The Committee recommends that proxies and postal votes to be used at the general meeting enable the shareholders to consider each individual item on the agenda.	X			Shareholders who grant proxies are given the opportunity to state their position on each item on the agenda.
1.3. Takeover bids				
1.3.1. The Committee recommends that the company has a procedure in place in the event of takeover bids, containing a "road map" covering matters for the board of directors to consider in the event of a takeover bid, or if the board of directors obtains reasonable grounds to suspect that a takeover bid may be submitted. In addition, it is recommended that it appears from the procedure that the board of directors abstains from countering any takeover bids by taking actions that seek to Danish Recommendations on Corporate Governance prevent the shareholders from deciding on the takeover bid, without the approval of the general meeting.	X			Lundbeck has established procedures for handling takeover bids. If a specific takeover bid is made, the Board of Directors will consider such a bid individually with due consideration to the Danish Companies Act and the Rules for issuers of shares of NASDAQ OMX Copenhagen A/S as relevant internal guidelines already discussed and adopted by the Board of Directors.
1.4. Corporate Social Responsibility				
1.4.1. The Committee recommends that the board of directors adopts a policy for the company's corporate social responsibility, including social responsibility and sustainability, and that the policy is available in the management commentary and/or on the company's website. The Committee recommends that the board of directors ensures compliance with the policy.	X			Lundbeck has adopted several policies and a strategy for sustainability that supports Lundbeck's commitment to the UN Global Compact principles and the relevant UN Sustainable Development Goals. Annual reporting on the defined targets and general progress can be found on the Corporate website (https://www.lundbeck.com/global/sustainability). The Board of Directors signs a Management Statement which covers the content of Lundbeck's annual sustainability reporting and thus ensures progress on the strategy.
1.4.2. The Committee recommends that the board of directors adopts a tax policy to be made available on the company's website.	X			The Board of Directors has adopted a tax policy and it is present on Lundbeck's website (Responsible business conduct (lundbeck.com)).

RECOMMENDATION	THE COMPANY COMPLIES	THE COMPANY COMPLIES PARTIALLY	THE COMPANY DOES NOT COMPLY	THE EXPLANATION FOR COMPLYING PARTIALLY/NOT COMPLYING WITH THE RECOMMENDATION
2. The duties and responsibilities of the board of directors				
2.1. Overall tasks and responsibilities				
<p>2.1.1. The Committee recommends that the board of directors in support of the company's statutory objects according to its articles of association and the long-term value creation considers the company's purpose and ensures and promotes a good culture and sound values in the company. The company should provide an account thereof in the management commentary and/or on the company's website.</p>	X			<p>At least once every year the Board of Directors takes a position on the matters related to the board's performance of its responsibilities and the purpose of Lundbeck. An account of Lundbeck's purpose can be found on Lundbeck's website (https://www.lundbeck.com/global/about-us/our-commitment).</p> <p>Furthermore, sound values and a good culture is ensured and promoted, through the Lundbeck Code of Conduct and the compliance hotline, on which all employees receive training. The Lundbeck code of conduct and an account of the training and monitoring can be found on Lundbeck's website (https://www.lundbeck.com/global/sustainability/responsible-business-conduct).</p>
<p>2.1.2. The Committee recommends that the board of directors at least once a year discusses and on a regular basis follows up on the company's overall strategic targets in order to ensure the value creation in the company.</p>	X			<p>At least once every year the Board of Directors assesses the company's overall strategy at the annual strategy meeting, normally taking place in June. In addition, the Board of Directors continuously discusses the strategy and the value creation at regular board meetings.</p>
<p>2.1.3. The Committee recommends that the board of directors on a continuously basis takes steps to examine whether the company's share and capital structure supports the strategy and the long-term value creation in the interest of the company as well as the shareholders. The Committee recommends that the company gives an account thereof in the management commentary.</p>	X			<p>The Board of Directors analyses the company's need for capital on an ongoing basis, including an assessment of the company's capital structure.</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 with research activities.</p> <p>The Board of Directors 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. Our dividend policy is currently to pay out 30-60% of the net profits as dividend to the shareholders.</p> <p>This text is also part of the management review in the Annual Report.</p>

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2.1.4. The Committee recommends that the board of directors prepares and on an annual basis reviews guidelines for the executive management, including requirements in respect of the reporting to the board of directors.	X			Communications between the Executive Management and the Board of Directors are regulated in the rules of procedure for the Executive Management which are assessed annually 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.
2.2. Members of the board of directors				
2.2.1. The Committee recommends that the board of directors, in addition to a chairperson, appoints a vice chairperson, who can step in if the chairperson is absent and who can generally act as the chairperson's close sparring partner.	X			Annually, the Board of Directors elects a chairperson and vice chairperson who chairs the board meetings in the chairperson's absence. The duties of the chairperson and vice chairperson are set out in a description of tasks and duties.
2.2.2. The Committee recommends that the chairperson in cooperation with the individual members of the board of directors ensures that the members up-date and supplement their knowledge of relevant matters, and that the members' special knowledge and qualifications are applied in the best possible manner.	X			The Board of Directors in Lundbeck continuously updates their knowledge, among other things through general training sessions for all board members, and it is ensured during the annual evaluation process that the knowledge and qualifications of each board member is applied in the best possible manner.
2.2.3. The Committee recommends that if the board of directors, in exceptional cases, requests a member of the board of directors to take on special duties for the company, for instance, for a short period to take part in the daily management of the company, the board of directors should approve this in order to ensure that the board of directors maintains its independent overall management and control function. It is recommended that the company publishes any decision on allowing a member of the board of directors to take part in the daily management, including the expected duration thereof.	X			To ensure that the Board of Directors will maintain responsibility for the overall management and control function in case the chair or other board members are asked to perform special tasks for the company, the 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.

RECOMMENDATION	THE COMPANY COMPLIES	THE COMPANY COMPLIES PARTIALLY	THE COMPANY DOES NOT COMPLY	THE EXPLANATION FOR COMPLYING PARTIALLY/NOT COMPLYING WITH THE RECOMMENDATION
3. Composition, organisation and evaluation of the board of directors				
3.1. Composition				
<p>3.1.1. The Committee recommends that the board of directors on an annual basis reviews and in the management commentary and/or on the company's website states</p> <ul style="list-style-type: none"> • which qualifications the board of directors should possess, collectively and individually, in order to perform its duties in the best possible manner, and • the composition of and diversity on the board of directors. 	X			<p>The required skills of the Board of Directors are annually assessed and evaluated by the board as part of the annual Board Evaluation.</p> <p>All candidates nominated for the Board of Directors, including candidates for re-election, are described in the notice convening the general meeting.</p> <p>A description of the Board of Directors in accordance with the recommendation is included in the management commentary or on the company's website (Board of directors (lundbeck.com)). For the time being the Board of Directors is of the opinion that the qualifications represented in the Board matches the competencies that the Board should possess, both collectively and individually.</p>
<p>3.1.2. The Committee recommends that the board of directors on an annual basis discusses the company's activities in order to ensure relevant diversity at the different management levels of the company and adopts a diversity policy, which is included in the management commentary and/or available on the company's website.</p>	X			<p>The company strives to ensure diversity, equity and inclusion for all employees and has adopted a Diversity, Equity & Inclusion Policy. It is available on the company's website (DEI Policy 2023.pdf (lundbeck.com)).</p> <p>A general status on diversity and inclusion is provided in the company's annual Sustainability report available on the company's website (Sustainability Report 2022.pdf.coredownload.pdf (lundbeck.com)).</p>
<p>3.1.3. The committee recommends that candidates for the board of directors are recruited based on a thorough process approved by the board of directors. The Committee recommends that in assessing candidates for the board of directors – in addition to individual competencies and qualifications – the need for continuity, renewal and diversity is also considered</p>	X			<p>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.</p> <p>The Board of Directors' proposals for new members are always accompanied by a thorough description of the candidate and the candidate's resume.</p> <p>The Board of Directors supports diversity, inclusion and equal opportunities for both genders. Moreover, at the general meeting the Chair of the Board of Directors reviews the recruitment criteria on which the Board of Directors has based its recommendation.</p>
<p>3.1.4. The Committee recommends that the notice convening general meetings, where election of members to the board of directors is on the</p>	X			<p>Candidates nominated for the Board of Directors are described according to the recommendation in the notice convening the general meeting.</p>

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<p>agenda - in addition to the statutory items - also includes a description of the proposed candidates'</p> <ul style="list-style-type: none"> • qualifications, • other managerial duties in commercial undertakings, including board committees, • demanding organisational assignments and • independence. 				
<p>3.1.5. The Committee recommends that members to the board of directors elected by the general meeting stand for election every year at the annual general meeting, and that the members are nominated and elected individually.</p>	X			Pursuant to the company's articles of association, board members elected by the general meeting are elected for a period of one year and they are elected individually.
3.2. The board of director's independence				
<p>3.2.1. The Committee recommends that at least half of the members of the board of directors elected in general meeting are independent in order for the board of directors to be able to act independently avoiding conflicts of interests. In order to be independent, the member in question may not:</p> <ul style="list-style-type: none"> • be or within the past five years have been a member of the executive management or an executive employee in the company, a subsidiary or a group company, • within the past five years have received large emoluments from the company/group, a subsidiary or a group company in another capacity than as member of the board of directors, • represent or be associated with a controlling shareholder, • within the past year have had a business relationship (e.g. personally or indirectly as a partner or an employee, shareholder, customer, supplier or member of a governing body in companies with similar relations) with the company, a subsidiary or a group company, which is significant for the company and/or the business relationship, 	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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<ul style="list-style-type: none"> • be or within the past three years have been employed with or a partner in the same company as the company's auditor elected in general meeting, • be a CEO in a company with cross-memberships in the company's management, • have been a member of the board of directors for more than twelve years, or • be closely related to persons, who are not independent, cf. the above-stated criteria. <p>Even if a member of the board of directors does not fall within the above-stated criteria, the board of directors may for other reasons decide that the member in question is not independent.</p>				
<p>3.2.2. The Committee recommends that members of the executive management are not members of the board of directors and that members retiring from the executive management does not join the board of directors immediately thereafter.</p>	X			The company complies with this recommendation.
3.3. Members of the board of directors and the number of other management duties				
<p>3.3.1. The Committee recommends that the board of directors and each of the members on the board of directors, in connection with the annual evaluation, cf. recommendation 3.5.1., assesses how much time is required to perform the board duties. The aim is for the individual member of the board of directors not to take on more managerial duties than the board member in question is able to perform in a satisfactory manner.</p>	X			The number of directorships each board member is able to hold is subject to an individual assessment. Each board member is encouraged to make such assessment in connection with the board evaluation procedure.
<p>3.3.2. The Committee recommends that the management commentary, in addition to the statutory requirements, contains the following information on the individual members of the board of directors:</p> <ul style="list-style-type: none"> • position, age and gender, • competencies and qualifications relevant to the company, • independence, • year of joining the board of directors, 	X			The company's annual report or website contains information on the members of the Board of Directors in accordance with the recommendation (https://www.lundbeck.com/global/about-us/our-leadership/board-of-directors).

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<ul style="list-style-type: none"> • year of expiry of the current election period, • participation in meetings of the board of directors and committee meetings, • managerial duties in other commercial undertakings, including board committees, and demanding organisational assignments, and • the number of shares, options, warrants, etc. that the member holds in the company and its group companies and any changes in such holdings during the financial year. 				
3.4. Board committees				
<p>3.4.1. The Committee recommends that the management describes in the management commentary:</p> <ul style="list-style-type: none"> • the board committees' most significant activities and number of meetings in the past year, and • the members on the individual board committees, including the chairperson and the independence of the members of the committee in question. <p>In addition, it is recommended that the board committees' terms of reference are published on the company's website.</p>	X			<p>The specified information is published on the company's website or in the annual report.</p> <p>The board committees term of reference can be found on Lundbeck's website (https://www.lundbeck.com/global/about-us/corporate-governance/board-tasks).</p>
<p>3.4.2. The Committee recommends that board committees solely consist of members of the board of directors and that the majority of the members of the board committees are independent.</p>	X			<p>The majority of members in the Audit Committee, the Nomination & Remuneration committee and the scientific Committee are independent, and all committees consist solely of board members.</p>
<p>3.4.3. The Committee recommends that the board of directors establishes an audit committee and appoints a chairperson of the audit committee, who is not the chairperson of the board of directors. The Committee recommends that the audit committee, in addition to its statutory duties, assists the board of directors in:</p> <p>supervising the correctness of the published financial information, including accounting practices in significant areas, significant accounting estimates and related party transactions,</p>	X			<p>Lundbeck has established an Audit Committee consisting of three board members. Only members of the Board of Directors are members of the Audit Committee, and the Chair of the Board of Directors is not Chair of the Audit Committee.</p> <p>In case of significant changes in accounting policies or estimates, related party transactions or changes in uncertainties or risks, the company's Audit Committee will deal with the changes and notify the Board of Directors.</p> <p>The Board of Directors, together with the Audit Committee, assesses the need for an internal audit function. It has been determined that the tasks of assessing internal control systems and risk management systems are better carried out by the</p>

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<ul style="list-style-type: none"> • reviewing internal control and risk areas in order to ensure management of significant risks, including in relation to the announced financial outlook, • assessing the need for internal audit, • performing the evaluation of the auditor elected by the general meeting, • reviewing the auditor fee for the auditor elected by the general meeting, • supervising the scope of the non-audit services performed by the auditor elected by the general meeting, and • ensuring regular interaction between the auditor elected by the general meeting and the board of directors, for instance, that the board of directors and the audit committee at least once a year meet with the auditor without the executive management being present. <p>If the board of directors, based on a recommendation from the audit committee, decides to set up an internal audit function, the audit committee must:</p> <ul style="list-style-type: none"> • prepare terms of reference and recommendations on the nomination, employment and dismissal of the head of the internal audit function and on the budget for the department, • ensure that the internal audit function has sufficient resources and competencies to perform its role, and • supervise the executive management's follow-up on the conclusions and recommendations of the internal audit function. 				<p>company's external auditor and other internal compliance functions and, consequently, that no internal audit function is required.</p> <p>Based on the work conducted by the external auditors and internal compliance functions, the Audit Committee reviews and assesses the internal control systems and the management's guidelines for such systems at least annually, and either recommends that the Board of Directors approves the systems or ensures that necessary improvements are implemented. Executive Management follows up on conclusions and recommendations made in this respect.</p> <p>The Audit Committee is regularly updated by the internal control functions.</p> <p>The Audit Committee holds several annual meetings with external and internal risk and compliance functions to identify significant risk areas and discuss substantial accounting issues. Based on the discussions, the Audit Committee reports back to the Board of Directors.</p> <p>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.</p> <p>The Board of Directors and the Audit Committee meet with the external auditors at least once every year without the Executive Management present.</p> <p>The audit agreement and the base fee are part of the recommendation from the Audit Committee to the Board of Directors, which after approval from the Board of Directors are recommended for approval at the Annual General Meeting. Additionally, Audit Committee supervises the non-audit services performed by external auditor, the daily monitoring is outsourced to the financial compliance function.</p>
<p>3.4.4. The Committee recommends that the board of directors establishes a nomination committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> • describing the required qualifications for a given member of the board of directors and the executive management, the estimated time required for performing the duties of this member of the board of directors and the competencies, knowledge and experience that is or should be represented in the two management bodies, 	X			<p>The company has a combined Nomination & Remuneration Committee with the responsibility for handling preparatory tasks related to nomination and remuneration.</p>

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<ul style="list-style-type: none"> • on an annual basis evaluating the board of directors and the executive management's structure, size, composition and results and preparing recommendations for the board of directors for any changes, • in cooperation with the chairperson handling the annual evaluation of the board of directors and assessing the individual management members' competencies, knowledge, experience and succession as well as reporting on it to the board of directors, • handling the recruitment of new members to the board of directors and the executive management and nominating candidates for the board of directors' approval, • ensuring that a succession plan for the executive management is in place, • supervising executive managements' policy for the engagement of executive employees, and • supervising the preparation of a diversity policy for the board of directors' approval. 				
<p>3.4.5. The Committee recommends that the board of directors establishes a remuneration committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> • preparing a draft remuneration policy for the board of directors' approval prior to the presentation at the general meeting, • providing a proposal to the board of directors on the remuneration of the members of the executive management, • providing a proposal to the board of directors on the remuneration of the board of directors prior to the presentation at the general meeting, • ensuring that the management's actual remuneration complies with the company's remuneration policy and the evaluation of the individual member's performance, and • assisting in the preparation of the annual remuneration report for the board of directors' approval prior to the presentation for the general meeting's advisory vote. 	X			Lundbeck has a combined Nomination & Remuneration Committee responsible for the company's overall nomination and remuneration strategy and remuneration of the members of the Executive Management and the Board of Directors.

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3.5. Evaluation of the board of directors and the executive management				
<p>3.5.1. The Committee recommends that the board of directors once a year evaluates the board of directors and at least every three years engages external assistance in the evaluation. The Committee recommends that the evaluation focuses on the recommendations on the board of directors' work, efficiency, composition and organisation, cf. recommendations 3.1.-3.4. above, and that the evaluation as a minimum always includes the following topics:</p> <ul style="list-style-type: none"> • the composition of the board of directors with focus on competencies and diversity • the board of directors and the individual member's contribution and results, • the cooperation on the board of directors and between the board of directors and the executive management, • the chairperson's leadership of the board of directors, • the committee structure and the work in the committees, • the organisation of the work of the board of directors and the quality of the material provided to the board of directors, and • the board members' preparation for and active participation in the meetings of the board of directors. 	X			<p>The Board of Directors has adopted a formal evaluation procedure to ensure an annual and systematic evaluation of the work of the Board of Directors and the individual members.</p> <p>The Chair is in charge of the evaluation of the Board of Directors and the evaluation includes, amongst others, the criteria set out in recommendations 3.1-4.1 and an individual interview between each board member and the Chair.</p> <p>External assistance will be obtained at least every third year. 2023 was a year of inhouse evaluation. Due to change of CEO, this evaluation will be finalized in February 2024.</p>
<p>3.5.2. The Committee recommends that the entire board of directors discusses the result of the evaluation of the board of directors and that the procedure for the evaluation and the general conclusions of the evaluation are described in the management commentary, on the company's website and at the company's general meeting.</p>	X			<p>The main elements of the evaluation procedure and the general conclusions are discussed in the Board of Directors and described in the management commentary and on the company's website (https://www.lundbeck.com/global/about-us/corporate-governance/board-tasks). Further, the Chair accounts for the evaluation as set out in the recommendation on the general meeting.</p>
<p>3.5.3. The Committee recommends that the board of directors at least once a year evaluates the work and results of the executive management according to preestablished criteria, and that the chairperson reviews the evaluation together with the executive management. In addition, the board of directors should on a continuous basis assess the need for changes in the structure and composition of the executive management, including in</p>	X			<p>The evaluation of the work and results of the Executive Management forms a natural part of the regular meetings held between the Board of Directors and the Executive Management. As part of the annual board evaluation set out in recommendation 3.5.1, the Executive Management is evaluated.</p> <p>A performance plan for the Executive Management is established annually.</p>

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respect of diversity, succession planning and risks, in light of the company's strategy.				<p>The Board of Directors continuously evaluates the need for changes to the structure and the composition of the Executive Management in light of the company's strategy.</p> <p>The Board of Directors has adopted a formal evaluation procedure to ensure an annual and systematic evaluation of the work of the Board of Directors and the Executive Management.</p> <p>Further, ongoing evaluation of the cooperation between the Executive Management and the Board of Directors is part of the regular meetings held by the Chair of the Board of Directors and the CEO.</p>
4. Remuneration of management				
4.1. Remuneration of the board of directors and the executive management				
4.1.1. The Committee recommends that the remuneration for the board of directors and the executive management and the other terms of employment/service is considered competitive and consistent with the company's long-term shareholder interests.	X			Lundbeck lives up to this requirement.
4.1.2. The Committee recommends that share-based incentive schemes are revolving, i.e. that they are periodically granted, and that they primarily consist of long-term schemes with a vesting or maturity period of at least three years.	X			<p>The Executive Management receives share-based remuneration that will generally have a vesting period of three years and is granted as roll-over programs.</p> <p>The Board of Directors believes that the LTI programs implemented promote long-term behavior and retention.</p>
4.1.3. The Committee recommends that the variable part of the remuneration has a cap at the time of grant, and that there is transparency in respect of the potential value at the time of exercise under pessimistic, expected and optimistic scenarios.	X			Lundbeck lives up to this requirement and it is stated in the Remuneration Report.
4.1.4. The Committee recommends that the overall value of the remuneration for the notice period, including severance payment, in connection with a member of the executive management's departure, does not exceed two years' remuneration including all remuneration elements.	X			The Board of Directors has adopted a general policy that severance payments to the Executive Management should not amount to more than two years annual remuneration.
4.1.5. The Committee recommends that members of the board of directors are not remunerated with share options and warrants.	X			The members of the company's Board of Directors receive a fixed annual remuneration. The remuneration does not include bonus and incentive programs.

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<p>4.1.6. The Committee recommends that the company has the option to reclaim, in whole or in part, variable remuneration from the board of directors and the executive management if the remuneration granted, earned or paid was based on information, which subsequently proves to be incorrect, or if the recipient acted in bad faith in respect of other matters, which implied payment of a too large variable remuneration.</p>	X			<p>In exceptional cases, Lundbeck is entitled to reclaim in full or in part the financial benefits received by the Executive Management as recommended.</p>
5. Risk management				
5.1. Identification of risks and openness in respect of additional information				
<p>5.1.1. The Committee recommends that the board of directors based on the company's strategy and business model considers, for instance, the most significant strategic, business, accounting and liquidity risks. The company should in the management commentary give an account of these risks and the company's risk management.</p>	X			<p>Lundbeck takes a systematic approach to risk management. Semi-annually, the company identifies the most significant risks, which are monitored in an ongoing process by the Executive Management, reviewed by Audit Committee and finally shared with the Board of Directors. The company's risk management activities are disclosed in the annual report.</p>
<p>5.1.2. The Committee recommends that the board of directors establishes a whistleblower scheme, giving the employees and other stakeholders the opportunity to report serious violations or suspicion thereof in an expedient and confidential manner, and that a procedure is in place for handling such whistleblower cases.</p>	X			<p>Lundbeck has established a Compliance Hotline (whistleblower system) as a secure and confidential reporting channel managed by an independent provider. Concerns that involve legal, financial, or other serious risks and matters of misconduct at Lundbeck may be reported via the Compliance Hotline.</p> <p>All reported concerns are investigated and handled in line with Lundbeck's global procedure. It safeguards individuals who report concerns in good faith by offering confidentiality and protection against retaliation. The reporter can communicate anonymously with the investigator through the Compliance Hotline. Concerns that are substantiated are followed by proportionate corrective and preventive actions.</p>



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