

ANNUAL GENERAL MEETING OF ALK-ABELLÓ A/S – 11 MARCH 2020

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

Content

1. Introduction
 - Objective
 - Effective date
2. Board of Directors
 - Process
 - Composition and size
 - Travel allowance and expenses
 - Incentive plans
3. Board of Management
 - Definition, scope and size
 - Process
 - Principles
 - Alignment between vision, strategy, performance and remuneration of Board of Management
 - Components and size
 - Base salary
 - Pension and benefits
 - Incentive plans
 - Reclaiming variable pay
 - Deferral periods
 - Duration of contracts and their notice periods for Board of Management
 - Termination payments and early retirement plans
 - Treatment of outstanding incentive awards
 - Award of extraordinary incentive remuneration for recruitment
 - Variations to the policy – derogations
 - Variations to the policy – minor changes
 - How employee pay and conditions were taken into account when setting the policy
 - Existing arrangements
4. Policy determination process and changes
5. Approval and publication

1. Introduction

According to section 139a of the Danish Companies Act, the Board of Directors of ALK-Abelló A/S ('ALK') is required to create a remuneration policy (the "policy") applicable to the Board of Directors and the Board of Management and subject to approval by the shareholders at the Annual General Meeting. The Board of Management means the executive officers registered with the Danish Business Authority as executive officers of ALK. The policy for ALK is prepared in accordance with the Danish Companies Act, and subsequently the amended EU Directive on the encouragement of long-term shareholder engagement¹.

Given the context above, ALK's Board of Directors and the Remuneration Committee have drafted a new remuneration policy that will replace the previous remuneration guidelines and guidelines for incentive pay (in Danish: Overordnede retningslinjer for incitamentsaflønnning) made by ALK as these would no longer be appropriate.

The overall aim of the policy is to provide a framework for remuneration at ALK, including specific guidelines for incentive pay. Specifically, the aim of this policy is to ensure that ALK's shareholders have an effective say on remuneration, based on a clear, understandable and comprehensive overview of the remuneration provided by ALK.

Objective

The objectives of the remuneration policy are:

- attract, motivate and retain qualified members of the Board of Directors and the Board of Management
- align the remuneration components with the interests of shareholders
- contribute to promoting the value creation in ALK and support to ALK's business strategy, and
- ensure that the individual members of executive management are rewarded to reflect the company performance and individual results as described in this policy

This allows ALK to support the journey towards becoming the allergy company.

Effective date

The policy covers remuneration to be agreed after 11 March 2020.

2. Board of Directors

Process

The Board of Directors reviews board fees annually. Fees are evaluated relative to Danish and other European companies of comparable size and complexity to ALK.

The total remuneration of the board members for the past year and the level for the current year are approved by the Annual General Meeting as a separate agenda item.

Composition and size

Members of the Board of Directors receive a fixed fee per year. Fees are established based on market levels for Danish and other European companies of comparable size and complexity to ALK. Board members receive a fixed amount (the base fee) while the Chairman receives a multiple thereof: The Chairman fee is calculated as 3 times the base fee and the Vice Chairman 2 times the base fee.

Service on Board committees entitles committee members to an additional committee fee. Committee Chairman are entitled to 1.5 times the committee fee.

¹ Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC

Individual Board members may be required to take on specific ad hoc tasks outside their normal duties assigned by the Board of Directors. In each such case, the Board of Directors shall determine a fixed fee (e.g. per diem) for the work carried out related to those tasks. The fixed fee will be disclosed in the annual report.

Travel allowance, expenses and benefits

Expenses such as travel and accommodation in relation to board meetings as well as relevant expenses are reimbursed. Directors may also be provided reasonable benefits in the market context and take account of the individual circumstances and benefits provided to comparable roles.

Incentive plans

The members of the Board of Directors are not eligible to participate in any form of variable remuneration at ALK such as any bonus, share options, warrants, performance shares or other incentive plans.

Employee-elected Directors

Employee-elected members of the Board of Directors will continue to receive to their normal remuneration in relation to their employment with the Company. This includes eligibility to participate in the general incentive programmes for employees at ALK.

3. Board of Management

Definition, scope and size

The remuneration for the Board of Management concerns all ALK executive directors registered with the Danish Business Authority. Under ALK's Articles of Association, the registered Board of Management shall consist of no less than one and not more than six members.

Process

Remuneration for members of the Board of Management is proposed and recommended by the Board of Directors and the Remuneration Committee and subsequently approved by the Board of Directors annually in line with this policy.

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 normally includes all components listed under "Components and size".

In order to attract and retain the required expertise to add value for ALK's shareholders, the elements of remuneration for the Board of Management are determined on the basis of the work performed, the value created as well as remuneration levels among comparable Danish and other European companies. The Committee reviews market data for each executive's position, including information relating to the mix and levels of remuneration as well as the strategic journey of ALK.

Principles

ALK rewards the Board of Management in accordance with the four core principles set out below:

Alignment with shareholders

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

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.

Market competitive remuneration

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

Alignment with cultural values

Cultural beliefs underpin ALK's company culture and provide broad guidance to employees. Remuneration plans are designed and communicated in a manner that reinforces the linkage to business objectives, vision and culture.

Alignment between vision, strategy, performance and remuneration of Board of Management

As new strategies are developed and approved, the Board of Directors will consider whether the remuneration policy needs to be updated and approved by the Annual General Meeting earlier than every four years.

More than 500 million people worldwide have allergies. Many of them suffer in silence because the way ahead is too confusing. By collecting information and the latest and most trusted solutions together in one place, we want to make allergy surprisingly simple to manage. With 100 years of experience, nobody knows allergy like us, and we continuously apply our scientific knowledge and expertise to help people take control of their allergy and their life. We want to make a difference by offering solutions for everyone who is touched by allergy – through a comprehensive range of products, services and resources that offer a fast-track to a more balanced life.

In order for ALK to deliver on this promise, we are constantly trying to attract the best and brightest employees. In order to do so, ALK commits to balancing short-term and long-term goals by way of offering market competitive remuneration, pay for performance, alignment with ALK's strategy and ensuring alignment with ALK's shareholders.

ALK has a long-standing commitment to sustainability and ethical business practices. In 2009, ALK affirmed our commitment to the United Nations Global Compact's 10 principles on human and labour rights, the environment and anti-corruption. ALK has reported on the principles since 2019. In addition, we are contributing to the UN 2030 Agenda for Sustainable Development and have pledged our support for the UN Sustainable Development Goals.

To ensure the ongoing success for the Board of Directors and the Board of Management, we track progress against a number of key performance indicators (KPIs). The majority of our KPIs are used directly into our performance measures according to which we reward our Board of Management.

The following are examples of important KPI's to ensure continued value creation of ALK:

Category	KPIs related to (examples)
Financials	<ul style="list-style-type: none"> Total revenue Operating profit (EBITDA)
Succeed in North America	<ul style="list-style-type: none"> Total revenue in North America Revenue from SLIT-tablets in North America
Complete and commercialise the tablet portfolio for all relevant ages	<ul style="list-style-type: none"> Revenue from SLIT-tablets Market- and label expansion
Patient engagement and adjacent business	<ul style="list-style-type: none"> Creating a patient-orientated interactive digital platform
Optimisation and reallocation of growth resources	<ul style="list-style-type: none"> Production and compliance upgrade Operational efficiency
Sustainability	<ul style="list-style-type: none"> Reduction of CO2 emissions Lost Time Injury frequency Waste for recycling

Components and size

The aggregate remuneration paid to members of the Board of Management consists of the following components; base salary, pensions and benefits, short-term incentive (annual cash bonus), including sign-on bonus (cash), long-term incentive plan (equity-based scheme), and termination payments (see separate section below).

In the table below, it is described specifically how variable elements of remuneration of the Board of Management is linked to the business strategy, the long-term interests and sustainability, including its operation, criteria for determining awards (i.e. target and maximum opportunity) as well as performance measures and assessment of performance:

Base salary

The fixed salary (“Base Salary”) serves the purpose of attracting and retaining the best qualified members of the Board of Management as well as a balanced remuneration package. The level of remuneration is set to be on par with market compared to the level in similar listed Danish companies with global reach. It accounts for approximately 40-60% of the total value of the remuneration package, where cash bonus is determined as an expected value at grant date and share-based incentive plans are determined at fair value at grant date for these purposes. 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, and external economic environment.

During the annual evaluation of Base Salaries, individual performance, potential and current remuneration market competitiveness along with increases applied to the wider employee population will be combined to assess any proposed salary revision.

Pension and benefits

Pension contributions can be made to build up an income for retirement for executives. The executive remuneration package at ALK can include 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.

Incentive plans

To ensure a strong alignment of interests between ALK’s shareholders and the Board of Management, the executive remuneration package includes two variable components: short-term (STI) and long-term (LTI) incentive plans. The short-term plan is an annual cash bonus linked to the achievement of pre-defined financial and non-financial KPIs, set collectively or individually for the members of the Board of Management. The long-term plan is an equity-based plan linked to the creation of shareholder value, revenue and to the fulfilment of the strategic goals. The incentive plans aim to promote sound business decisions that ensure a sustainable balance between short-term results and long-term growth.

For further details on the policies for incentive plans, please refer to the table below.

<p>Type and objective of variable remuneration of the Board of Management</p>	<p>Short-term incentive plan (STI) – annual cash bonus</p> <p><i>To incentivise the achievement ALK's short-term objectives and ensure a clear link between value creation and bonus payment</i></p>
<p>Link to the business strategy, long-term interest and sustainability</p>	<p>The annual bonus is subject to fulfilment of annual KPIs.</p> <p>The selected annual KPIs will be aligned with the business strategy (e.g. the current strategic pillars) and thereby, also the long-term interests and sustainability.</p>
<p>Operation</p>	<p>A balance of financial and non-financial KPIs are set by the Board of Directors and their fulfilment is reviewed by the Remuneration Committee. The annual outcome varies with performance against financial and non-financial goals (KPIs) to ensure a balanced development of the business.</p> <p>All payments made under the annual bonus will be subject to recovery provisions as detailed below.</p>
<p>Target and maximum opportunity</p>	<p>For the Board of Management the STI Target bonus can be up to 50% of the Base Salary with a potential max of up to double of the STI Target bonus (i.e. up to 100% of the Base Salary).</p>
<p>Performance measure and assessment of performance</p>	<p>The specific measures, targets and weightings may vary from year to year in order to align with ALK's strategy over each year. The measures will be dependent on ALK's goals over the year under review and directly linked to the strategic pillars to incentive Board of Management to focus on the execution of the strategic plan.</p> <p>For a given year, at least 75% of the performance assessment is based on group performance targets and up to 25% is based on individual performance</p> <p>For each KPI a performance target is defined corresponding to STI target pay-out as well as threshold below which there will be no pay-out and a maximum value above which there will be maximum pay-out.</p> <p>The actual performance targets set are not disclosed at the start of the financial year, as they are considered to be commercially sensitive. Where no longer commercial sensitive, performance targets and outcomes will be disclosed following the payment of cash bonuses.</p>

Type and objective of variable remuneration of the Board of Management	<p>Long-term incentive plan (LTIP) – equity-based scheme</p> <p><i>To incentivise and reward long-term value creation and align with shareholders' interest by fulfilling strategic goals.</i></p>
Link to the business strategy, long-term interest and sustainability	<p>Awards may be made as share options and/or performance shares. Vesting of awards will be subject to the fulfilment of KPIs over a three-year performance period.</p> <p>Awards will normally be made annually.</p>
Operation	<p>The outcome varies with performance against the fulfilment of KPIs over a three-year period with a threshold below which there will be no pay out, and with the opportunity to perform above target.</p> <p>The KPIs are set by the Board of Directors and their fulfilment is reviewed by the Remuneration Committee.</p> <p>Share options are exercisable no earlier than three years following the grant and will lapse if they remain unexercised five years after the grant. The exercise price of the options may not be lower than the market price of ALK's shares at, or immediately before, the date of grant.</p> <p>If a member of the Board of Management leaves ALK as a result of their own resignation or severe misconduct, all rights to these LTIPs are cancelled.</p> <p>All awards made under the long-term incentive plan will be subject to recovery provisions as detailed below.</p>
Target and maximum opportunity	<p>At the time of the award the combined fair value of share options and performance shares is up to 50% of each executive's annual base salary.</p> <p>At vesting, the number of instruments under the programme will be paid out at 0-200% of the number awarded, depending on the fulfilment of the KPIs in the programme.</p>
Performance measure and assessment of performance	<p>The KPIs are both financial and non-financial, which are aligned with the business strategy (including revenue, earnings and cash flow) and thereby, also the long-term interests and sustainability.</p> <p>The selected KPIs relate to the creation of shareholder value, revenue and to fulfilment of the strategic goals over the vesting period.</p> <p>For each KPI a performance target is defined corresponding to the target number of instruments vesting as well as threshold below which there will be no instruments vesting and a maximum value above which there will be maximum number of instruments vesting.</p>

Recovery of variable pay

ALK has the right to recover in full or in part payments or awards that were made under either the annual bonus or LTIP on the basis of data which proves to be significantly misstated.

Deferral periods

The long-term incentive plans do not include any requirements for an additional holding period beyond the stated vesting periods, which is considered sufficiently long-term by the Board of Directors and the Remuneration Committee for these purposes.

Duration of contracts and their notice periods for Board of Management

ALK can terminate the employment of a member of the Board of Management with 6 months' notice.

Termination payments and early retirement plans

ALK operates with agreements on termination payments that do not exceed two years' annual remuneration. ALK does not offer any early retirement plans for Board of Management.

Treatment of outstanding incentive awards

Plan	Treatment of leavers
Annual bonus	Any executive who at the Remuneration Committee's discretion is considered a 'good' leaver, may, subject to performance, be entitled to a pro-rata share of the annual bonus if they leave their position during the course of a financial year.
Long-term incentive	If an executive is considered a 'good' leaver, they may, subject to performance, be entitled to a pro-rata part of their LTIP award based upon the time elapsed between the date of grant and the termination date.
Special long-term incentive	

Award of extraordinary remuneration for recruitment

The Board of Directors is authorised, as an exception and only if deemed necessary, to operate extraordinary cash bonus, reimbursement of relocation costs as well as other extraordinary share-based incentive plans in respect of recruitment to the Board of Management. The value of such total extraordinary incentive remuneration may not exceed an amount equal to 300% of the individual's total compensation package for the full calendar year, where share-based incentive plans are determined at fair value at grant date. This amount is inclusive of any remuneration the Board deems appropriate in order to compensate an individual for loss of incentive remuneration from a former employer. If the member of Board of Management leaves ALK within 12 months after employment as a result of their own resignation and the resignation is not due to ALK's material breach, or the employment of the member of the Board of Management is terminated for cause by ALK within 12 months after employment, at least 50% of the extraordinary remuneration for recruitment will be reclaimed by ALK. ALK is always entitled to reclaim extraordinary remuneration for recruitment, which has been awarded on the basis of information, which subsequently was found to be incorrect.

Variations to the policy – derogations

The Board of Directors retains the flexibility to make amendments to the incentive practices outlined in the policy, provided that any such amendment is within the scope and structure of this policy and applied only in exceptional circumstances where the long-term interests or the sustainability of ALK as a whole are at risk. Substantial amendments are subject to approval by the Annual General Meeting.

The Board of Directors may decide that specific terms shall apply for accelerated vesting or exercise as well as for adjustment of the incentive programmes in case of a take-over in whole or in part, significant divestiture of activities, demerger, merger or other amalgamation of ALK. The Board of Directors may also adjust the long-term incentive operation to allow for any changes to the Company's capital structure or in the event of other material events.

In an instance of derogation, the remuneration offered will be disclosed to the shareholders at the next Annual General Meeting.

Variations to the policy – minor changes

The Remuneration Committee may make minor amendments to the remuneration policy set out above for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation without obtaining shareholder approval for that amendment.

How employee pay and conditions were taken into account when setting the policy

When making decisions about executive remuneration and setting the Board of Management's remuneration policy, the Board of Directors and the Remuneration Committee also takes into account the arrangements in place for ALK's wider workforce.

The approach to determine the compensation of employees globally follows the same principles as for the executives. ALK offers local market-based compensation and career opportunities, which attract

the best talent; we believe in recognising strong individual performance, and we differentiate reward accordingly. When determining compensation, managers consider how the employee's pay compares to the local market alongside other factors such as the individual's experience and sustained performance.

An annual cash bonus is offered to all senior managers, and share-based incentive plans are offered to certain senior managers. The same principles and part of the performance measures apply for those senior managers as for the executives of ALK.

Being a great place to work is a key pillar of our strategy, and at the heart of our efforts to foster the talents of our people. Pay is just one factor that helps us to attract, retain and develop a talented and diverse workforce.

In addition to The Remuneration Committee, ALK has established a compensation board, which is part of Board of Management. It ensures annual reviews of compensation for ALK's wider workforce and biannually undertakes benchmarking exercises using data on pay trends, gender pay and local benchmarks into consideration.

Existing arrangements

The Remuneration Committee may make any remuneration payments (including vesting of incentives) and termination payments, notwithstanding that they are not in line with the remuneration policy, if the terms were agreed:

- Prior to the implementation of the Remuneration Policy at the 2020 AGM;
- At a time when the relevant individual was not a member of the Board of Management, and in the opinion of the Committee, the payment was not made in respect of joining the Board of Management.

4. Policy determination process and changes

The remuneration for the Board of Management is recommended by the Remuneration Committee and subsequently approved by the Board of Directors. Levels for the remuneration of Board of Management are evaluated against a benchmark of comparable Danish companies as well as other European companies. The Remuneration Committee reviews at least every second year market data for each executive's position, including information relating to the mix and levels of remuneration.

If the Board of Directors proposes material changes to the remuneration policy, these changes shall be presented to the Annual General Meeting. In any event, the Board of Directors shall at least every four years present the remuneration policy to the Annual General Meeting for approval. The remuneration policy will be in force until the Annual General Meeting decides to make any amendments.

5. Approval and publication

This remuneration policy was considered and approved at ALK's Annual General Meeting held on 11 March 2020.

This remuneration policy is posted on ALK's website at: <https://ir.alk.net/corporate-governance>