

The Remuneration Principles are designed to attract, retain and motivate the members of the Board of Directors and of Executive Management. Remuneration has been designed to align the interests of the executives with those of the shareholders.

## 1. The Board of Directors

### 1.1 Process

The Board of Directors reviews board fees annually based on recommendations from the Remuneration Committee. When preparing its recommendation, the Remuneration Committee will evaluate board fees against relevant benchmarks of Danish and other Nordic companies as well as European pharmaceutical companies similar to Novo Nordisk in size, complexity and market capitalisation. The 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.

### 1.2 Size

Each board member shall receive a fixed fee per year. 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 receives 2 times the base fee.

Service on the Audit Committee entitles board members to an additional fee: the Audit Committee chairman receives 1.00 times the base fee and the other Audit Committee members receive 0.5 times the base fee.

Service on the Nomination Committee entitles board members to an additional fee: the Nomination Committee chairman receives 0.5 times the base fee and the other Nomination Committee members receive 0.25 times the base fee.

Service on the Remuneration Committee entitles board members to an additional fee: the Remuneration Committee chairman receives 0.5 times the base fee and the other Remuneration Committee members receive 0.25 times the base fee.

Individual board members may take on specific ad hoc tasks outside their normal duties assigned by the Board. In each such case the Board shall determine a fixed fee (eg per diem) for the work carried out related to those tasks. The fixed fee will be disclosed in the Annual Report.

### 1.3 Social security taxes

Novo Nordisk pays in addition to the fixed fee such contribution to social security taxes within the EU imposed by foreign authorities in relation to the fixed fee.

### 1.4 Travel allowance

All board members are paid a fixed travel allowance when travelling to board meetings or committee related meetings. No travel allowance is paid to board members when no travel is required to attend board meetings or committee related meetings. The travel allowance will be disclosed in the Annual Report.

### 1.5 Expenses

Expenses such as travel and accommodation in relation to board meetings as well as relevant education are reimbursed.

### 1.6 Incentive programmes

Board members are not offered stock options, warrants or participation in other incentive schemes.

<sup>1</sup> In Section 4 of the Recommendations on Corporate Governance designated by Nasdaq Copenhagen referred to as “remuneration policy”.

<sup>2</sup> These Principles include general guidelines for incentive-based remuneration pursuant to Section 139 of the Danish Companies Act.

## 2. Executive Management

Executive Management includes all the executives registered as executives with the Danish Business Authority.

### 2.1 Process

Executive remuneration is proposed by the Remuneration Committee and subsequently approved by the Board.

### 2.2 Size and composition

Executive remuneration is evaluated annually against relevant benchmarks of Danish and other Nordic companies as well as European pharmaceutical companies similar to Novo Nordisk in terms of size, complexity and market capitalisation. To ensure comparability, executive positions are evaluated in accordance with an international position evaluation system which among other parameters includes and reflects the development of the company size measured in terms of company revenue and number of employees.

The remuneration package consists of a fixed base salary, a cash-based incentive, a long-term share-based incentive, a pension contribution and other benefits.

For executives on an international assignment at the request of the company, the remuneration package is generally based on an equalized host country net salary during the length of the assignment.

The fixed base salary is chosen to attract and retain executives with professional and personal competences required to drive the company's performance.

The Short-term incentive programme (STIP) is designed to incentivise the individual executive for individual performance within his/her functional area and to ensure short-term achievements in line with company needs.

The Long-term incentive programme (LTIP) is designed to promote the collective performance of Executive Management and to align the interests of executives and shareholders. It further ensures a balance between short-term achievements and long-term thinking.

Pension contributions are made to provide an opportunity for executives to build up an income for retirement. Other benefits are added to ensure that overall remuneration is competitive and aligned with local practice.

### 2.3 Size of the components

The fixed base salary accounts for approximately 25% to 50% of the total value of the remuneration package. The interval states the span between "maximum performance" and "on-target-performance".

In addition to the fixed base salary, the executives may be eligible for variable incentive-based remuneration consisting of 1) a STIP, and 2) a LTIP. The STIP may result in a maximum payout per year equal to 12 months' fixed base salary plus pension contribution. The LTIP may result in a maximum grant per year equal to 12 months' fixed base salary plus pension contribution. Consequently, the aggregate maximum amount that may be granted as incentive for a given year is equal to 24 months' fixed base salary plus pension contribution.

This split between fixed and variable remuneration is intended to result in a reasonable part of the salary being linked to performance, while at the same time promoting sound business decisions to achieve the company's vision. Further, the balance between the components is assessed broadly to be in line with market practice for benchmarked companies.

## 2.4 Incentive programmes

### 1. Short-term incentive programme (STIP)

The STIP consists of a cash-based incentive which is linked to the achievement of a number of predefined functional and individual business targets for each member of Executive Management. The STIP for each participating member cannot exceed an amount equal to 12 months' fixed base salary plus pension contribution per year. The Board of Directors determines at the beginning of each year the maximum STIP for each participating member for the given year. The calculation of the STIP – if any – for a year is typically based on the salary in December. The targets for the chief executive officer are fixed by the chairman of the Board of Directors while the targets for the executive vice presidents are fixed by the chief executive officer. The chairman of the Board evaluates the degree of target achievement for each member of Executive Management, and cash-based incentives – if any – for a particular financial year are paid at the beginning of the subsequent financial year.

STIP is subject to recovery or 'claw-back' by Novo Nordisk, provided the remuneration was paid on the basis of data which proved to be manifestly misstated due to wilful misconduct or gross negligence by the executive. Claw-back in relation to the STIP is possible up to 12 months after the actual payment of the cash-based incentive.

### 2. Long-term incentive programme (LTIP)

Each year in January the Board of Directors decides whether or not to establish an LTIP for that calendar year.

The LTIP is based on an annual calculation of economic value creation as compared to the budgeted performance for the year and on sales compared to the budgeted target for the year.

Aligned with Novo Nordisk's long-term financial targets, the calculation of economic value creation is based on reported operating profit after tax reduced by a weighted average cost of capital (WACC)-based return requirement on average invested capital.

A proportion of the calculated economic value creation is allocated to a pool for Executive Management and other members of the Senior Management Board. The Senior Management Board consists of all members of Executive Management and senior vice presidents.

For members of Executive Management the pool operates with a yearly maximum allocation per participant equal to 12 months' fixed base salary plus pension contribution. The Board of Directors determines at the beginning of each year the maximum allocation per participant for the given year. The pool may, subject to the Board of Directors' assessment, be reduced in case of lower-than-planned performance on significant research and development projects and key sustainability projects. Targets for non-financial performance related to sustainability and research and development projects may include achievement of certain milestones within set dates.

Once the pool has been approved by the Board of Directors, the total cash amount is converted into Novo Nordisk A/S B shares at market price. The market price is calculated as the average trading price for Novo Nordisk A/S B shares on Nasdaq Copenhagen in the open trading window following the release of financial results for the year prior to the relevant bonus year; ie in the open trading window immediately following the Board of Directors' approval of the programme.

The shares in the pool are allocated to the participants prorated according to their base salary as per 1 April in any given year.

The shares in the pool for a given year will be locked up for three years before it is transferred to the participants, including Executive Management. If a participant resigns during the lock-up period, his or her shares will be removed from the pool.

In the lock-up period the Board of Directors may remove shares from the pool in the event of lower-than-planned economic creation and/or sales during such lock-up period, eg if the economic profit or sales fall below a predefined threshold.

In the lock-up period the market value of the pool will change dependent upon the development in the Novo Nordisk B share price, aligning the interests of participants including Executive Management with those of shareholders.

No dividends are paid on shares in the bonus pool in the lock-up period and the shares in the bonus pool are administered as part of Novo Nordisk's holding of treasury shares.

Novo Nordisk continuously covers its obligations under the LTIP through its holding of treasury shares.

LTIP is subject to recovery or 'claw-back' by Novo Nordisk, provided the remuneration was paid on the basis of data which proved to be manifestly misstated due to wilful misconduct or gross negligence by a participant. Claw-back in relation to the LTIP is possible up to 12 months after the release of the shares to the participants (ie four years after allocation).

## **2.5 Pension**

The pension contribution is up to 25% of the fixed base salary including bonus.

## **2.6 Other benefits**

Executives receive non-monetary benefits such as company cars, phones etc. Executives on international assignments may receive relocation benefits. Such benefits are approved by the Board by delegation of powers to the Remuneration Committee. The Remuneration Committee informs the Board of the process and outcome. In addition, executives may participate in customary employee benefit programmes, eg employee share purchase programmes.

## **2.7 Termination of employment**

Novo Nordisk may terminate the employment of an executive by giving 12 months' notice. Executives may terminate their employment by giving Novo Nordisk six months' notice.

## **2.8 Severance payment**

In the event of termination – whether by Novo Nordisk or by the individual – due to a merger, acquisition or takeover of Novo Nordisk, executives are, in addition to the notice period, entitled to a severance payment of 24 months' fixed base salary plus pension contribution. In case of termination by Novo Nordisk for other reasons, the severance payment is three months' fixed base salary plus pension contribution per year of employment as an executive and taking into account previous employment history; in no event, however, less than 12 or more than 24 months' fixed base salary plus pension contribution.

With regard to severance payment, the employment contracts entered into before 2008 exceed the 24-month limit described above. The severance payment to individual executives under the contracts entered into before 2008 will, however, not exceed 36 months' fixed base salary plus pension contributions.

## **2.9 Sign-on arrangement**

The Board of Directors may when recruiting new executives who are not employed by Novo Nordisk at the time of employment grant a sign-on arrangement in the form of cash payment or share incentive programme.

## 2.10 Shareholding requirements for Executive Management

To further align the interest of the shareholders and Executive Management the Chief Executive Officer should hold Novo Nordisk A/S B shares corresponding to 2 times the annual gross salary and the Executive Vice Presidents should hold shares corresponding to 1 time the annual gross salary. The Board of Directors may grant exemption to this requirement, eg. in connection with a promotion to Chief Executive Officer or Executive Vice President.

## 3. Overview

The below table provides an overview of the remuneration for members of the Board of Directors and Executive Management.

	Board of Directors	Executive Management
Fixed fee/base salary	Yes	Yes
Fee for Committee work	Yes	No
Fee for ad hoc tasks	Yes	No
STIP (Short-term incentive programme)	No	Up to 12 months' fixed base salary plus pension contribution per year
LTIP (Long-term incentive programme)	No	Up to 12 months' fixed base salary plus pension contribution per year
Pension	No	Up to 25% of fixed base salary, STIP and LTIP
Travel allowance and other expenses	Yes	Executive Management receives a minor travel allowance equal to that of all other Denmark-based employees
Other benefits	No	As approved by the Board by delegation of powers to the Remuneration Committee
Severance payment	No	Based on tenure of employment, 12–24 months' fixed base salary plus pension contribution. However, for employment contracts entered into before 2008 such payment would be 12–36 months' fixed base salary plus pension contribution.