

Statutory Corporate Governance Statement for 2013, cf. art. 107b of the Danish Financial Statements Act

This statutory corporate governance statement covers the period 1 January to 31 December 2013 and is prepared pursuant to art. 107b of the Danish Financial Statements Act. The statement forms part of the management's review in the Annual Report 2013.

Corporate Governance

Since 2005, the Committee on Corporate Governance has drawn up a set of recommendations on corporate governance that has been adopted by NASDAQ OMX Copenhagen. The recommendations are generally in compliance with the practice of the OECD. ALK's Board of Directors has continuously taken the Committee's recommendations into consideration.

In 2013, the Committee on Corporate Governance presented a new set of recommendations. ALK has considered all the Committee's 47 guidelines in a 'comply or explain' review available on ALK's website at <http://ir.alk-abello.com/guidelines.cfm>.

ALK is in full compliance with all the guidelines but two where the company complies partially: According to the guidelines, the remuneration of each member of the Board of Directors and Board of Management should be disclosed in detail in the annual report. The remuneration for each member of the Board of Directors is disclosed but for the Board of Management only the total remuneration is disclosed. In addition, ALK describes the share options and conditional shares granted to each member of Board of Management, however, ALK believes that the disclosure of each Board of Management member's individual salary and bonus would constitute an invasion of their personal privacy. The decisive factor is for the shareholders to be able to consider the overall remuneration and its development. This is shown in Note 4 to the consolidated financial statements of the annual report for 2013. Furthermore, the Charter of the Nomination Committee is currently not available on the company's website.

Risks related to financial reporting

ALK has designed a number of internal control and risk management systems to ensure that its financial statements provide a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU and with a number of other disclosure requirements to the annual reports of listed companies. The systems also support appropriate accounting policies and accounting estimates.

ALK's risk management and internal controls in connection with the financial reporting process, including IT and tax, are designed with a view to managing rather than eliminating the risk of errors and omissions in the Group's financial reporting.

Control environment

The primary responsibility for the Group's risk management and internal controls in relation to the financial reporting process rests with the Board of Directors and the Board of Management. These two boards are responsible for establishing and approving general policies, procedures and controls in key areas connected with the financial reporting process. In 2011, the Board of Directors has established an Audit Committee with an advisory role relatively to the Board of Directors on internal controls in the financial reporting procedures, special financial and accounting issues, evaluation of financial reporting and other financial information and risk management.

The Board of Directors will, on an ongoing basis, assess if there is a need for establishing an internal audit. Based on the size and accounting and auditing complexity of ALK, the work will be undertaken by the Corporate Finance function and the individual affiliates.

The Board of Management is responsible for the day-to-day maintenance of an efficient control environment and risk management systems in connection with the financial reporting process. Managers at various levels are responsible within their respective areas.

The policies, procedures and manuals that have been adopted are available on the Group's intranet, and the importance of compliance with these precepts is regularly emphasised. Guidelines for persons authorised to sign for the company are provided through a formalised and documented distribution of responsibilities. The risk of fraud is mitigated through organisational segregation of incompatible functions and the use of preventive and detective internal controls. The controls are both IT-based and manual.

ALK's control environment consists of its organisational structure and internal guidelines, which are based on legislation and applicable recommendations.

ALK has in 2013 established a whistle-blower scheme, giving employees with knowledge of potentially destructive or illegal acts related to ALK's activities the opportunity to report their observations. The scheme minimises the risk of illegalities and irregularities within the areas of financial crime, environmental pollution or inappropriate conduct, as well as other circumstances that may be to the detriment of ALK.

Risk assessment

There is a relatively greater risk of error in items in the financial statements that are based on estimates or that are generated through complex processes. ALK performs continual risk assessments to identify such items and to assess the scope of the related risks.

Note 2 to the consolidated financial statements of the annual report for 2013 ('Significant accounting estimates and judgements') contains a description of the estimates and assessments that are considered material to financial reporting.

Control activities

The purpose of the control activities is to prevent, detect and correct possible errors or irregularities. These activities are integrated in the company's accounting and reporting procedures and include procedures such as certification, authorisation, approval, reconciliation, results analysis, segregation of incompatible functions as well as controls relating to IT applications and general IT controls. The Corporate Finance function also conducts control activities aimed at ALK's subsidiaries and selected key processes.

Information and communication

The company maintains information and communications systems to ensure that its financial reporting is correct and complete. Guidelines for reporting and end-of-month procedures are updated regularly and reviewed at least once a year. These guidelines are available to the relevant staff on ALK's intranet. Amendments to accounting procedures are announced and explained in instructions from the Corporate Finance function.

Monitoring

ALK uses a comprehensive, standardised financial management system, which contributes to the monitoring of the ALK Group's results. The system facilitates early detection and correction of possible errors and irregularities in the Group's financial reporting.

All companies report detailed monthly accounting data that are analysed and monitored at Group and regional level.

ALK applies a uniform accounting practice in accordance with IFRS, which is described in the corporate accounting manual. The accounting manual contains accounting and assessment principles and reporting instructions which must be strictly observed by all companies of the Group. The manual is updated and reviewed continually, and compliance with the manual is monitored at Group level.

The Board of Management informs the Audit Committee on the degree of compliance with the principles and instructions in the manual.

Management

The Board of Directors defines the strategic framework for ALK's action plans and activities on the basis of objectives, strategies and policies. Furthermore, on behalf of the shareholders, the Board of Directors supervises the organisation, monitors procedures and responsibilities and sees that the company is managed appropriately and in accordance with legislation and the articles of association.

The Board of Directors appoints a Board of Management to undertake the day-to-day management of ALK. The Board of Directors sets out the terms and tasks of the Board of Management, supervises its work and seeks a constructive dialogue with the Board of Management regarding the implementation of the selected strategies and the development of the company.

The Board of Directors is authorised to let ALK acquire up to 10% of the Company's own B shares. Furthermore, the Board of Directors is authorised to increase the share capital by up to nominally DKK 10,128,360 new shares – the ratio being up to nominally DKK 920,760 A shares and DKK 9,207,600 B shares. Both authorisations are valid for the period until the next annual general meeting in 2014.

The Board of Directors also has a standing authorisation to decide to pay extraordinary dividend, and, finally, the Board of Directors may issue warrants until 2016, granting the Board of Management and key employees the right to subscribe for up to 280,000 B shares.

Composition of the Board of Directors

The Board of Directors consists of nine members – six members elected by the shareholders at the annual general meeting and three members elected by the company's employees. The members elected by the shareholders are elected for a one-year term and the members elected by the employees for a four-year term. The age limit is 70 years.

At the annual general meeting in 2013, Jakob Riis was elected as a new member instead of Lars Holmqvist. The other members were re-elected. The Board of Directors subsequently elected Steen Riisgaard as Chairman and Christian Dyvig as Vice Chairman.

The members of the board committees elected by the Board of Directors are listed on page 26 of the annual report for 2013.

The composition of ALK's Board of Directors is generally established with the emphasis on the members having experience from the management of international companies, particular regard being given to their insight into the management and globalisation of R&D driven companies. The Board of Directors is deemed to have the competences that are relevant to further the development of ALK.

None of the members elected by the shareholders have previously been employed with ALK, and none of them have an interest in ALK other than the interests they may have as shareholders. Three of the members elected by the shareholders are affiliated with ALK's principal shareholder, the Lundbeck Foundation, while the other three are independent. All the members' profiles can be seen on page 26 of the annual report for 2013.

The Board of Directors' activities

The Board of Directors' work follows a calendar, ensuring the consideration of all relevant topics over the year. In 2013, the Board of Directors held seven meetings (six meetings in 2013), the meeting in September being a two-day seminar focusing on strategy including the progress of the Focus 2016 strategy. The Audit Committee and the Remuneration Committee both met three times (three meetings in 2012). The new Scientific Committee met twice in 2013.

At the end of the year, the Board of Directors evaluated their work and their cooperation with the Board of Management. The evaluation was based on a questionnaire and on individual interviews with the Board Members as well as the members of the Board of Management. The interviews were conducted with the aid of an external consultant who presented the results at the Board of Directors' meeting in November. In general, the Board of Directors and the Board of Management considered the cooperation excellent. The evaluation identified a number of topics Board of Management would like to focus more on. One topic, Risk management, has already been discussed in the Audit Committee as well as the Board of Directors. The other topics will be discussed in 2014.

In addition, the Audit Committee and the Remuneration Committee evaluated their work and their cooperation with the Board of Management. The outcome of the evaluations was very positive.

Directors' fees

The directors' fees were unchanged in 2013. The fees were approved by the annual general meeting in March. The base fee is DKK 275,000, the Vice Chairman receiving double the amount and the Chairman getting three times the base fee. In addition, the members of the Remuneration Committee, the Audit Committee and the Scientific Committee receive a fee of DKK 100,000 – the Chairman of each Committee receiving DKK 150,000. The Board of Directors recommends to the annual general meeting that the fees be maintained in 2014. The members of the Board of Directors are not offered any share options, conditional shares or other incentive plans.