

Remuneration Principles

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Principles for remuneration of board members and executives in Novo Nordisk A/S^{1,2}

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 at regular intervals based on recommendations from the Chairmanship. When preparing its recommendation the Chairmanship will be guided by relevant benchmarks that include Scandinavian companies and European pharmaceutical companies, which in size and complexity are similar to Novo Nordisk. The remuneration of the board members for the past year and the level for the current year is approved by the Annual General Meeting as a separate agenda item.

1.2 Size

Each board member shall receive a fixed fee per year. Ordinary 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 Audit Committee members receive 0.5 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 Travel allowance

All Board members that do not reside in Denmark are paid a fixed travel allowance when attending Board meetings in Denmark. No travel allowance will be paid to Board members when attending Board meetings outside Denmark. The travel allowance will be disclosed in the Annual Report.

1.4 Expenses

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

1.5 Incentive programmes

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

¹ In Section 6 of the Recommendations on Corporate Governance designated by NASDAQ OMX Copenhagen referred to as "remuneration policy".

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

2 The Executive Management

The Executive Management includes all the executives registered as executives with the Danish Commerce and Companies Agency.

2.1 Process

Executive remuneration is proposed by the Chairmanship and subsequently approved by the Board.

2.2 Size and composition

Executive remuneration is evaluated annually against a benchmark of Scandinavian companies and European pharmaceutical companies, which in size and complexity are similar to Novo Nordisk. 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 level of fixed base salary is assessed against the market benchmark median level and the total remuneration package is assessed against the upper quartile level for Denmark.

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

For executives being expatriated at the request of the company, the remuneration package is based on current Danish remuneration levels, including pension entitlements, while a specific expatriation package is added for the period of expatriation.

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 a collective performance by the Executive Management and to align the interests of the executives with those of the 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 to local practice.

2.3 Size of the components

The fixed base salary accounts for approx 35% to 55% of the total value of the remuneration package.

In addition to the fixed base salary, the executives may be eligible for incentive-based remuneration consisting of 1) a Short-term Incentive Programme, and 2) a Long-term Incentive Programme. The short-term incentive programme may in normal circumstances result in a maximum payout per year equal to four months' - and in some circumstances up to six months' - fixed base salary plus pension contribution. The long-term incentive programme may result in a maximum grant per year equal to eight months'

fixed base salary plus pension contribution. Consequently, the aggregate maximum amount that may be granted as incentives for a given year is equal to 14 months' fixed base salary plus pension contribution.

This split between fixed and variable remuneration is evaluated 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

2.4.1 Short-term Incentive Programme (STIP)

The STIP consists of a cash bonus which is linked to the achievement of a number of pre-defined functional and individual business targets for each member of Executive Management. 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 the Executive Management, and cash bonuses for a particular financial year – if any – are paid at the beginning of the subsequent financial year.

The cash bonus for each participating member can in normal circumstances not exceed an amount equal to four months' - and in some circumstances up to six months' - fixed base salary plus pension contribution per year. The calculation of the cash bonus – if any – for a year is typically based on the salary in December.

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 gross negligence or wilful misconduct by the executive. The claw-back in the STIP is possible up to 12 months after the actual payment of the cash bonus.

2.4.2 Long-term Incentive Programme (LTIP)

At the beginning of each year 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 shareholder value creation as compared to the budgeted performance for the year.

Aligned with Novo Nordisk's long-term financial targets, the calculation of shareholder 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 shareholder value creation is allocated to a joint pool for participants, which in addition to Executive Management includes other members of the Senior Management Board. The Senior Management Board consists of all members of the Executive Management and Senior Vice Presidents.

For members of Executive Management the joint pool operates with a yearly maximum allocation per participant equal to eight months' fixed base salary plus pension contribution.

The joint pool may, subject to the Board of Directors' assessment, be reduced in case of a 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 joint 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 OMX Copenhagen in the open trading window following the release of financial results for the year prior to the bonus year; i. e. in the open trading window following immediately after the Board of Directors approval of the programme.

The shares in the joint pool are allocated to the participants on a pro rata basis: the chief executive officer participates with three units, executive vice presidents participate with two units each and other members of the Senior Management Board participate with one unit each.

The shares in the joint pool for a given year will be locked up for three years before it is transferred to the participants, including Executive Management. Upon resignation during the lock-up period by a participant, the shares will remain in the joint pool to the benefit of the other participants.

In the lock-up period the Board of Directors may remove shares from the joint pool in case of lower than planned value creation in subsequent years, eg if the economic profit falls below a predefined threshold compared to the budget for a particular year.

In the lock-up period the market value of the joint pool will change dependent upon the development in the Novo Nordisk B share price and consequently the interests of the participants including Executive Management are aligned with those of the 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 gross negligence or wilful misconduct by a participant. The claw-back in the LTIP is possible up to 12 months after the release of the shares to the participants (i.e. 4 years after allocation).

2.5 Pension

The pension contribution is 25% to 30% of the fixed base salary including bonus.

2.6 Other benefits

The executives receive non-monetary benefits such as company car, phone etc. Such other benefits are approved by the Board by delegation of powers to the Chairmanship. The Chairmanship informs the Board of the process and outcome. In addition the executives may participate in customary employee benefit programmes, e.g. employee share purchase programmes.

2.7 Stock options

Executives may until 2012 hold stock options granted in previous years (2003 and before). None of these options have been or will be re-priced.

2.8 Termination of employment

Novo Nordisk may terminate the employment by giving executives a notice of 12 months. Executives may terminate the employment by giving Novo Nordisk a notice of six months.

2.9 Severance payment

In addition to the notice period executives are, in the event of termination – whether by Novo Nordisk or by the individual – due to a merger, acquisition or takeover of Novo Nordisk, 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 senior vice president, however, in no event less than 12 and no more than 24 months' fixed base salary plus pension contribution.

With regard to severance payment, the existing employment contracts exceed the 24 months limit described above. The severance payment to individual executives under the existing contracts will, however, not exceed 36 months fixed base salary plus pension contributions.

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 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 six months' fixed base salary plus pension contribution per year
LTIP (Long-term Incentive Programme)	No	Up to eight months' fixed base salary plus pension contribution per year
Pension	No	25–30% of fixed base salary and bonus
Other benefits	No	As approved by the Board by delegation of powers to the Chairmanship
Severance payment	No	Based on tenure of employment, 12–24 months' fixed base salary plus pension contribution. However, for existing employment contracts such payment would be 12–36 months fixed base salary plus pension contribution.

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