

# Corporate Governance

## Corporate governance at Crucell

Corporate governance concerns the relationship between management and the shareholders, and more generally the stakeholders, of the Company. It is the formal codification of the manner in which the Company is governed, of the accountability of its management and its supervision, of the manner in which stakeholders, and more particularly shareholders, are able to gain an insight into the state of affairs within the Company, and finally, of the way in which they can influence the decision-making process. With regard to this final issue, voting rights and the manner in which votes can be exercised, play an important role.

As a Dutch corporation, Crucell is subject to the Dutch Corporate Governance Code (the 'Code'). As a foreign private issuer whose ADSs trade on NASDAQ Global Select Market (NASDAQ), we are also subject to US securities laws (including the provisions of the Sarbanes-Oxley Act of 2002) and the NASDAQ rules.

As a foreign private issuer Crucell may follow its home country practice in lieu of the requirements of certain rules of NASDAQ. Our Annual Report discloses those requirements that are not followed and describes the home country practice that is followed instead, see 'Exemptions from certain NASDAQ Corporate Governance Rules' in this section.

Also under the rules of the SWX Swiss Exchange, where Crucell has a secondary listing, it is allowed to apply the Code.

## Corporate governance developments

We monitor and assess applicable corporate governance rules, including recommendations and initiatives regarding principles of corporate governance. These include those that have been developed in the US, both by NASDAQ and by the SEC pursuant to the Sarbanes-Oxley Act of 2002, as well as in the Netherlands, through the Code, which came into effect as of the financial year starting on or after January 1, 2004.

## Dutch Corporate Governance Code

The Code has been instituted by government decree. According to Dutch law, a public company should include in its annual report a statement about the compliance with the principles and best practice provisions of the Code that regard the

Management Board and Supervisory Board. If a corporation does not, or does not intend to comply with one or more of the principles and best practice provisions, it must explain its motivation in the annual report. According to the Code, substantial amendments to the Company's existing corporate governance structure and compliance with the Code should be submitted for discussion to the General Meeting of Shareholders.

Important principles of the Code are:

- Strengthening the role of the Supervisory Board and its committees and increasing its independence, quality and expertise;
- Strengthening the role of the shareholders with respect to control of the functioning of the Management Board and the Supervisory Board, as well as with respect to nomination and remuneration of members of the Management Board and the Supervisory Board;
- Facilitating and stimulating shareholders to use their voting power and to actively participate in the General Meeting of Shareholders;
- Defining the role of the external auditor vis-à-vis the Supervisory Board as its principal contact; and
- Maintaining an appropriate internal risk and control system.

For an overview of Crucell's conformity with the Code, please refer to our website ([www.crucell.com](http://www.crucell.com)), where the following documents can be consulted:

- Corporate governance at Crucell;
- By-laws of the Management Board;
- Remuneration policy Management Board;
- By-laws of the Supervisory Board; and
- Code of Conduct (Crucell's company code) including whistle-blower policy.

In 2003, we adopted a code of business conduct and ethics (Code of Conduct) that applies to all employees of the Company, including our principal executive officer and principal financial officer. The Code of Conduct underlines that one of the most valuable assets of Crucell is its integrity. The Code of Conduct was amended in 2008 and has been filed as an exhibit to our Form 20-F for the fiscal year ended December 31, 2008. The amended Code of Conduct adheres to the same underlying principles as the original Code of Conduct, but reflects that we are a fully integrated company that operates in numerous countries. No waivers of the Code of Conduct were granted during 2008.

We have a whistle blower policy in place, which encourages employees to report abuses and non-compliance with our Code of Conduct, anonymously if necessary.

#### **Compliance with the Code**

In June 2005, the General Meeting of Shareholders approved our current corporate governance structure. Except for the three provisions of the Code referenced below Crucell has fully implemented the recommendations set forth in the Code and incorporated them into its corporate governance policies.

#### **Exceptions to compliance with the Code**

The Code contains a 'comply-or-explain' principle, offering the possibility to deviate from the Code as long as any such deviations are explained. Crucell complies with all of the principles and best practice provisions of the Code, except for the following:

#### **Remuneration of Management Board members**

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Under the Code, the maximum severance pay for a Management Board member should be no more than one year's salary, unless this is manifestly unreasonable. We do not apply this principle in the event of a dismissal arising from an unwanted change of control for Management Board members. The employment contracts of those members of the Management Board that were already in place as at 1 January 2004 (the date on which the Code took effect) remain unchanged. In other cases agreed severance payments can be higher if otherwise this would obstruct the recruitment of the right person for a Management Board position.

#### **Loans to the Company's management**

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We do not apply the provision in the Code that no personal loans shall be granted to a company's Management Board member because, prior to the Code's development and passage of similar legislation in the US, loans were made to Management Board members and one such loan currently remains outstanding. Reference is made to note 5.23 'Related parties' in the financial statements. We have not granted additional loans to Management Board members since 2002.

#### **Remuneration of Supervisory Board members**

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We do not apply the provision that remuneration of the members of the Supervisory Board should not include share grants. Crucell deems this form of

remuneration adequate because this is customary among biotechnology companies operating internationally, and it helps attract well-qualified supervisory directors with specific expertise in biotechnology and international business fields.

#### **Exemptions from certain NASDAQ corporate governance rules**

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NASDAQ rules provide that NASDAQ may provide exemptions from the NASDAQ corporate governance standards to a foreign issuer when those standards are contrary to a law, rule or regulation of any public authority exercising jurisdiction over such issuer or contrary to generally accepted business practices in the issuer's country of domicile. We are exempt from certain NASDAQ corporate governance standards that are contrary to the laws, rules, regulations or generally accepted business practices of the Netherlands. These exemptions and the practices followed by our Company are described below:

- We are exempt from NASDAQ's quorum requirements applicable to meetings of shareholders. In keeping with Dutch law and generally accepted business practice, our articles of association provide that there are no quorum requirements for the general meeting of shareholders.
- We are exempt from NASDAQ's requirements regarding the solicitation of proxies and provision of proxy statements for meetings of shareholders. We inform shareholders of meetings in a public notice, but we do not solicit proxies for the General Meeting of Shareholders. Dutch law does not have a regulatory regime for the solicitation of proxies and the solicitation of proxies is not a generally accepted business practice in the Netherlands. In connection with our American Depositary Shares (ADSS), the Bank of New York Mellon, as depositary, distributes proxy materials to holders of our ADSS.
- NASDAQ requires shareholder approval or prior to the issuance of securities when a stock option or purchase plan is to be established or materially amended or other equity compensation arrangement made or materially amended, pursuant to which stock may be acquired by officers, directors, employees, or consultants. Under Dutch Company law and the Code shareholder approval is only required for equity compensation plans (or changes thereto) for members of the Management Board and

Supervisory Board, and not for equity compensation plans for other groups of employees. Our articles of association provide that a resolution of the General Meeting of Shareholders to amend our articles of association, to dissolve the Company, or to merge or demerge the Company shall only be adopted on a proposal of the Supervisory Board.

- We do not distribute Annual Reports to all of our shareholders in accordance with NASDAQ rules. As our shares are bearer shares, according to Dutch law we are not required to distribute copies of annual and interim reports to all shareholders. Copies of such reports are available to shareholders at our corporate headquarters, and are filed with NASDAQ and the Bank of New York Mellon as depositary under our depositary agreement relating to our ADSs. Upon request the Bank of New York Mellon distributes our Annual Reports to holders of our ADSs.
- The Company has a two-tiered board structure, in contrast to the one-tier board structure used by most US companies. In the Netherlands, a public limited liability company has a Management Board as its management body and a Supervisory Board which advises and supervises the Management Board. In general, Management Board members are employees of the company while members of the Supervisory Board are often former state or business leaders and sometimes former members of the Management Board. Members of the Management Board and other officers and employees cannot simultaneously act as members of the Supervisory Board. The Supervisory Board must approve certain specified decisions of the Management Board. Under the Code all members of the Supervisory Board with the exception of not more than one person, shall be 'independent'. The definition of 'independence' under the Code however, differs from the definition of 'independence' under the NASDAQ listing standards (e.g. employment by the Company in the three years prior to the appointment as member of the Supervisory Board versus five years under NASDAQ and the Code respectively).
- Dutch law requires that the external auditors be appointed at the General Meeting of Shareholders and not by the Audit Committee.
- Our Audit Committee currently consists of two Supervisory Board members whereas the NASDAQ listing rules require three. The Company is currently recruiting a third Supervisory Board member with financial expertise to fill the vacancy in the Audit Committee.

## Directors, senior management and board practices

Crucell has a 'two-tier' governance structure, in which executive and supervisory responsibilities are clearly segregated. Our Management Board is responsible for managing the Company's daily affairs and business and, as such, is responsible for achieving Crucell's goals, strategy, policy, and results.

### Supervisory Board

The Supervisory Board, which consists solely of independent directors, supervises the Management Board. In the execution of their duties, the members of the Supervisory Board must be guided by the best interests of Crucell and its stakeholders.

The Supervisory Board reports to the General Meeting of Shareholders with regard to the corporate governance of Crucell, its structure and the compliance with applicable internal and external rules and regulations.

The principal duty of the Supervisory Board is to supervise the policies of the Management Board and to provide advice. The Supervisory Board oversees the corporate strategy, the risks inherent in the Company's activities and supervises the structure and operation of the internal risk management and control systems, the financial reporting process and the Company's compliance with relevant legislation and regulations.

Our Supervisory Board must approve certain categories of resolutions of our Management Board, which categories are specified in our articles of association. In addition, our Supervisory Board may give our Management Board written notice of other corporate actions that it wishes to approve. The division of duties and the procedures within the Supervisory Board are set forth in the by-laws of the Supervisory Board and can be found on Crucell's website ([www.crucell.com](http://www.crucell.com)).

Our articles of association provide that at least three Supervisory Board members must serve on our Supervisory Board. We must fill any vacancies on the Supervisory Board as soon as possible, but until they are filled, the remaining members of our Supervisory Board constitute a competent board. Under Dutch law, Supervisory Board members cannot serve as members of our Management Board.

The members of our Supervisory Board are appointed for terms ending on the date of the first General Meeting of Shareholders that is held four years

after the date of their appointment. They may be reappointed for two additional consecutive terms of four years each. Our Supervisory Board nominates its own members. To be binding, there must be at least two nominees for each vacancy on the Supervisory Board. The nominee earning the highest number of votes of Supervisory Board members becomes a binding nomination. The General Meeting of Shareholders can override these binding nominations by a vote of an absolute majority of the votes cast. This vote must represent more than one third of our total issued and outstanding share capital. If the Supervisory Board does not make any nominations within three months after a vacancy has occurred, our General Meeting of Shareholders can fill Supervisory Board vacancies. If the Supervisory Board makes a non-binding nomination (i.e., only one nominee is presented to the Supervisory Board for any particular vacancy), then such nomination can only be overturned by a resolution of the General Meeting of Shareholders taken by an absolute majority of the votes cast, representing at least one third of the Company's total issued and outstanding share capital. The Supervisory Board members retire according to a rotation plan established by the Supervisory Board itself.

Our Supervisory Board appoints its own chairman and must adopt rules for its own internal governance, including the creation of committees. The Supervisory Board must, in any event, establish an Audit Committee, a Remuneration Committee and a Nomination Committee. Passing Supervisory Board decisions requires a majority of the votes cast at a meeting of our Supervisory Board, unless otherwise provided for in the articles of association or the by-laws of the Supervisory Board. The company secretary assists the Supervisory Board.

A Supervisory Board member can be suspended or dismissed at any time by a resolution of a General Meeting of Shareholders passed by an absolute majority of the votes cast. This vote must represent more than one third of our total issued and outstanding share capital if the resolution to suspend or dismiss a Supervisory Board member is not proposed by the Supervisory Board itself. Within three months after a suspension, a General Meeting of Shareholders must either dismiss the Supervisory Board member, terminate or extend the suspension. The total suspension may not exceed three months.

The General Meeting of Shareholders determines the Supervisory Board members' compensation. In contrast to the provisions of the Code, until the

end of our 2004 fiscal year we paid our Supervisory Board members in options on our ordinary shares as well as in cash. Starting in 2005, we began paying them in ordinary shares and cash, or cash only, at the member's discretion. We also reimburse Supervisory Board members for their expenses incurred in work relating to Crucell. The remuneration policy is intended to be able to attract and retain qualified and expert Supervisory Board members. It is in line with what is customary in the US biotechnology industry and is in line, as much as possible, with the best practice provisions of the Code.

According to the best practice provisions of the Code, an individual may hold a maximum of five Supervisory Board memberships in Dutch listed companies, with the chairmanship of a Supervisory Board counting as two memberships. All members of our Supervisory Board comply with this provision.

All members of the Supervisory Board comply with the criteria for independence as set out in the NASDAQ rules, the Code and the requirements of applicable EU and Swiss rules.

The business address of each Supervisory Board member is the address of our principal executive office in Leiden, the Netherlands. As of April 17, 2009 our Supervisory Board members held an aggregate of 0.17% of our ordinary shares.

As of December 31, 2008 the Supervisory Board of Crucell consisted of:

Name	Age	Position	End of current term
Jan Oosterveld	64	Chairman	2010
Phillip Satow	67	Member	2009
Claes Wilhelmsson	69	Member	2011
Seán Lance	61	Vice-Chairman	2011
Arnold Hoevenaars	59	Member	2009
Steve Davis <sup>(1)</sup>	51	Member	2012

<sup>(1)</sup> Mr. Davis was appointed as member of the Supervisory Board at the Company's General Meeting of Shareholders on May 30, 2008.

**Mr. Jan Oosterveld** has served as chairman of our Supervisory Board since June 2006 and as a member of the Supervisory Board since his appointment at the General Meeting of Shareholders on June 3, 2004. He retired from Royal Philips Electronics N.V. on April 1, 2004, after an international career of 32 years. At his retirement he was responsible for Corporate Strategy, Corporate Alliances and the joint

ventures with LGE, Korea, relating to Cathode Ray Tubes (CRTs) and Liquid Crystal Displays (LCDs). In the latter responsibility, he was the Chairman of the board of LG Philips Ltd, which went public in April 2004, and Vice-Chairman of the board of LG Philips Displays B.V. He was also the CEO of Philips Asia Pacific. He graduated with a degree in mechanical engineering from the Technical University Eindhoven and holds an MBA from the Instituto de Estudios Superiores de la Empresa (IESE) in Barcelona. He was appointed Professor at IESE in 2003. He is also a Member of the Board of Barco, Kortrijk, Belgium, Cookson Group, London, U.K., Candover, London, U.K. and Continental, Hannover, Germany. Mr. Oosterveld is a Dutch citizen.

**Mr. Phillip Satow** has served as a member of our Supervisory Board since our incorporation. He worked 14 years with Pfizer, Inc. where his last position was Vice President, Pfizer Europe. From 1985 to 1997, he was Executive Vice President Marketing at Forest Laboratories, Inc. From 1998 to 1999 he was President of Forest Pharmaceuticals, and Executive Vice President of Forest Laboratories Inc. In addition to the Forest Laboratories Board which he served on from 1999 to 2005, Mr. Satow is a former Board member of Eyetech Pharmaceuticals Inc. Mr. Satow co-founded, and served as Chairman and CEO of JDS Pharmaceuticals LLC, a privately held company that was sold to Noven Pharmaceuticals Inc. in 2007. Mr. Satow is currently a Member of the Board of Directors of Noven Inc. Mr. Satow is a US citizen.

**Mr. Claes Wilhelmsson** has served as a member of our Supervisory Board since May 2003. He was previously the Executive Director of Research and Development of AstraZeneca plc from 1999 to July 2002, responsible for AstraZeneca's global R&D. He joined Astra in 1985 and held various positions until the company merged with Zeneca in 1999. Prior to working for Astra, he was a lecturer and researcher at the University of Göteborg in Sweden, where he also completed his medical education and PhD. He currently serves on the boards of a number of biotechnology and start-up companies. Dr. Wilhelmsson previously served on the board of AstraZeneca plc. Mr. Wilhelmsson is a Swedish citizen.

**Mr. Seán Lance** has served as a member of our Supervisory Board since January 2004. Mr. Lance is a former Chairman of Chiron Corporation. He joined Chiron as President and Chief Executive Officer in 1998. From 1985 to 1998 he was employed at Glaxo Holdings where his last position was group Chief Operating Officer and CEO designate. He is a former President of the International Federation

of Pharmaceutical Manufacturers Association. Mr. Lance is a chartered company secretary and administrator and also holds a post-graduate degree in Advanced Financial Management. Mr. Lance is a South African citizen.

**Mr. Arnold Hoevenaars** has served as a member of our Supervisory Board since June 2005. Mr. Hoevenaars is a chartered accountant in the Netherlands and his previous positions include, among others, Chairman of the Management Board of the Achmea Group; Chairman of the Board of Directors and Chairman/CEO of the Executive Board of Eureka B.V.; and Member of the Management Board and CFO of Royal Boskalis Westminster N.V. Mr. Hoevenaars is a Dutch citizen.

**Mr. Steve Davis** has served as a member of our Supervisory Board since June 2008. Mr. Davis is a Senior Advisor to McKinsey & Company's Social Sector Office based in Seattle, Washington, US. He is also a Lecturer in Intellectual Property at the University of Washington Law School. He recently served as the Interim CEO of IDRI (Infectious Disease Research Institute) and is now Chairman of its Board of Directors. Previously, Mr. Davis was CEO of Corbis Corporation and presently acts as a senior advisor to the company. He has held positions with the United Nations High Commission for Refugees and several refugee resettlement programs. Currently, he is a member of the Board of Trustees for PATH, a non-profit organization focused on improving public health in the developing world, and the Fred Hutchinson Cancer Research Center, one of the world's leading cancer centers. He also holds board positions with Intrepid Learning Solutions, The Seattle Foundation and Global Partnerships. Mr. Davis holds a Bachelor of Arts from Princeton University, a Master of Arts from the University of Washington and a Doctorate in Law from Columbia University School of Law. Mr. Davis is a US citizen.

## Committees

The Supervisory Board appoints from its members an Audit Committee, a Remuneration Committee, a Nomination Committee and a Scientific Advisory Committee. The function of these committees is to advise and assist the Supervisory Board to make decisions.

### Audit Committee

Arnold Hoevenaars (chairman) and Seán Lance.

The Audit Committee currently consists of two Supervisory Board members who are independent

within the meaning of the NASDAQ listing rules and the Code. The Company is in the process of recruiting a Supervisory Board member with financial expertise to fill the vacancy in the Audit Committee. The Audit Committee is responsible for, among other things, reviewing our annual and interim reports and accounts and for securing and monitoring our external auditors' involvement in that process. The Audit Committee is the first point of contact of the external auditor when irregularities are found in the contents of the financial reports. Ultimate responsibility for reviewing our Annual Report and interim financial reporting lies with our Supervisory Board. At the request of the Audit Committee, the chairman of the Supervisory Board may be invited to attend its meetings.

Our Audit Committee is in compliance with all of the relevant rules and regulations of the Netherlands. We believe that the members of our Audit Committee have sufficient financial and other experience to perform their responsibilities on the Committee. Mr. A. Hoevenaars is a 'financial expert' as defined in the rules promulgated under the Sarbanes-Oxley Act of 2002.

#### **Remuneration Committee**

Phillip Satow (chairman), Claes Wilhelmsson and Jan Oosterveld.

The Remuneration Committee advises on policies and reviews and determines objectives relevant to the compensation of the members of the Management Board and members of the Management Committee. The Remuneration Committee evaluates the performance of members of the Management Board and Management Committee in view of these objectives and advises on the compensation of the members. In advising on short and long-term incentive compensation, the Remuneration Committee considers, among other factors, our financial and commercial performance, scientific performance and progress and any increases in the value of the Company. External compensation survey data available for the biotechnology industry is also used as a benchmark for determining compensation levels. It is the aim of the Remuneration Committee to position the remuneration packages for members of the Management Board and Management Committee at competitive levels. Bonuses are paid to members of the Management Board in connection with achievement of certain objectives set by the Supervisory Board.

CruCell maintains stock option plans whereby the Remuneration Committee may grant options to

employees and members of the Management Board and Supervisory Board as well as non-employees in exchange for consulting services, subject to approval by the shareholders.

In addition, the Remuneration Committee reviews the general compensation and benefit policies for all of our employees.

#### **Nomination Committee**

The Nomination Committee consists of all of the Supervisory Board members. This committee (a) draws up selection criteria and appointment procedures for members of the Supervisory Board and the Management Board, (b) periodically assesses the size and composition of the Supervisory Board and the Management Board and makes proposals of nominees to the Supervisory Board, (c) periodically assesses the functioning of individual members of the Supervisory Board and the Management Board, and reports on this to the Supervisory Board and (d) supervises the policy of the Management Board on the selection criteria and appointment procedures for senior management. The committee also makes proposals for appointments of Management Board members to the Supervisory Board.

#### **Scientific Advisory Committee**

Claes Wilhelmsson (chairman).

The Scientific Advisory Committee consists of one Supervisory Board member who is independent within the meaning of the NASDAQ listing rules. This committee is responsible for, among other things, reviewing progress in our research and development activities. The committee reports to the Supervisory Board on a regular basis.

#### **Management Board**

Our Management Board manages our general affairs and business, under the supervision of our Supervisory Board. Under our articles of association, the Management Board requires prior approval of the Supervisory Board to:

- Expand into a new, or cease an existing, line of business;
- Participate, sell an interest, change its participation, or otherwise take an interest in, or assume the management of, another business enterprise;
- Enter into, terminate or amend any joint venture or pooling arrangement;
- Acquire fixed assets exceeding price limits set by the Supervisory Board; and

- Enter into financial commitments, other than in the ordinary course of business and/ or exceeding price limits set by the Supervisory Board or for longer than a year.

Under Dutch law, in certain circumstances, Management Board actions may require the approval of the General Meeting of Shareholders.

Our Supervisory Board determines the size of our Management Board after consultation with our Chief Executive Officer. The General Meeting of Shareholders appoints the members of our Management Board from a list of candidates nominated by our Supervisory Board. If the list of members contains the names of at least two persons it shall be binding. However, the general meeting of shareholders may at any time, by resolution passed with an absolute majority of the votes cast representing more than one third of the Company's issued capital, resolve that such list shall not be binding. If our Supervisory Board does not nominate anyone for a specific position within three months after a vacancy occurs, our General Meeting of Shareholders can appoint a member at its own discretion. If the Supervisory Board makes a non-binding nomination (i.e., only one nominee is presented to the Supervisory Board for any particular vacancy), then such nomination can only be overturned by a resolution of the General Meeting of Shareholders taken by an absolute majority of the votes cast, representing at least one third of the Company's total issued and outstanding share capital. A member of the Management Board may be appointed or reappointed for a term of not more than four years at a time.

Our Management Board may establish rules governing its internal organization. Our Supervisory Board must approve the adoption of and any changes to these rules. Our Management Board may charge each member of the Management Board with particular duties. The allocation of duties requires the approval of the Supervisory Board. Resolutions of our Management Board are passed by a majority of votes cast, unless provided otherwise in the by-laws of the Management Board. The Management Board shall appoint a Company Secretary who will assist the Management Board. The appointment and dismissal of the Company Secretary requires the approval of the Supervisory Board.

Each member of the Management Board may be suspended or removed by the General Meeting of Shareholders at any time. A resolution to suspend, remove or revoke the suspension of a member of

the Management Board other than at the proposal of the Supervisory Board may only be passed by the General Meeting of Shareholders with an absolute majority of the votes cast representing at least one third of the Company's total issued and outstanding share capital.

Our Supervisory Board may also suspend (but not dismiss) a member of our Management Board. We must hold a General Meeting of Shareholders within three months after a suspension to either terminate or extend it. Any suspension may be extended one or more times, but may not last longer than three months in the aggregate. If at the end of that period no decision has been taken on termination of the suspension, or on removal, the suspension shall cease.

Our Supervisory Board determines the compensation and benefits of the members of our Management Board, based on a proposal by the Remuneration Committee, within the scope of the remuneration policy adopted by the General Meeting of Shareholders. The business address of the members of our Management Board is the same as the address of our principal executive office in Leiden, the Netherlands.

Pursuant to the Code, members of the Management Board are allowed to hold a maximum of two Supervisory Board positions in other listed companies. The members of the Management Board did not hold any such positions in 2008.

The name, date of appointment and position of the members of our Management Board are:

Name/Position	Date of appointment
Ronald Brus Chairman of the Management Board, President and Chief Executive Officer	May 30, 2008
Leonard Kruimer Chief Financial Officer	May 30, 2008
Cees de Jong Chief Operating Officer	May 30, 2008
Jaap Goudsmit Chief Scientific Officer	May 30, 2008

#### Management Board service contracts

The contracts for the Management Board members have been entered into for an indefinite period and provide for a notice period of up to six months upon termination by us and a notice period of three months upon termination by the individual. Nominations for a seat on the Management Board members are for a period of four years.

A dismissal arising from an unwanted change of control will result in a severance arrangement limited to a maximum of two years' worth of base salaries for the Management Board members.

The contracts of the Management Board members contain non-compete provisions that would apply for a period of one year after the end of their employment with us.

### Management Committee

For its day-to-day operations Crucell has established a Management Committee that is responsible for the design, implementation and management of long and short-term strategy under the ultimate responsibility of the Management Board. The Management Board determines the number of members of the Management Committee. Members of the Management Committee are appointed and dismissed by the Management Board, with the approval of our Supervisory Board. The Management Committee generally meets once a month, and works closely with other members of our management. Our Management Board may establish rules governing its relationship with our Management Committee. Our Supervisory Board must approve the adoption of and any changes to these rules.

The following table sets forth the name, age and position of each of the members of our Management Committee:

Name/position	Age
<b>Ronald Brus</b> Chairman of Management Committee, President and Chief Executive Officer	45
<b>Leonard Kruimer</b> Chief Financial Officer	50
<b>Cees de Jong</b> Chief Operating Officer	47
<b>Jaap Goudsmit</b> Chief Scientific Officer	57
<b>René Beukema</b> General Counsel and Corporate Secretary	44
<b>Björn Sjöstrand</b> Chief Business Officer	40
<b>Arthur Lahr</b> Chief Strategy Officer & Executive Vice President Business Development	40

The following paragraphs contain brief biographies of the members of our Management Board and the members of our Management Committee:

**Mr. Ronald Brus** is chairman of the Management Board and President and Chief Executive Officer since January 2004, and has been a member of our Management Committee since incorporation. He was Executive Vice President, Business Development at IntroGene from 1997 to 2000 and Chief Operating Officer at Crucell from March 2003 until his appointment as President and Chief Executive Officer. From 1994 to 1996, he was product-planning physician at Forest Laboratories (New York) and from 1990 to 1994 he was medical director for Zambon B.V. He holds a medical degree (MD) from the University of Groningen. Mr. Brus is a Dutch citizen.

**Mr. Leonard Kruimer** became a member of the Management Board in January 2005. He has been our Chief Financial Officer and a member of our Management Committee since incorporation. He held the same position at IntroGene from 1998 to 2000. From 1996 to 1998 he was an independent consultant with companies such as Pepsico and Royal Boskalis Westminster N.V. From 1988 to 1995, he held senior executive positions at Continental Can Europe, GE Capital/TIP Europe and Kwik-Fit Europe B.V. He was a consultant at McKinsey & Co. and has worked with Price Waterhouse & Co. He holds a Masters in Business Administration from the Harvard Business School, a degree from the University of Massachusetts, Amherst, and is a CPA in New York State. Mr. Kruimer is a Dutch citizen.

**Mr. Cees de Jong** joined Crucell as Chief Operating Officer in 2007. Prior to joining Crucell Mr. De Jong was with Quest International in Naarden, the Netherlands as a member of the Board and responsible for the Flavours Division. Mr. De Jong has also worked as Managing Director of DSM Anti-infectives. In 1989 Mr. De Jong started his career at Gist Brocades, holding a variety of roles in business development, strategy and general management before the company's acquisition by DSM in 1998. Mr. De Jong holds a Medical Degree from the Erasmus University of Rotterdam and an MBA from the RSM Erasmus University.

**Mr. Jaap Goudsmit** is a member of the Management Board since January 2004. He was Senior Vice President Vaccine Research from September 2001 until July 2002 and member of the Management Committee from July 2002 as Executive Vice President Vaccine R&D. In September 2002 he was appointed Chief Scientific Officer. He chaired the Academic Medical Center of the University of Amsterdam, the Research Institute for Infectious Diseases and the Institute for Science Education. He was the founding Chairman of the Scientific

Advisory Committee of the International AIDS Vaccine Initiative (IAVI) and the founding co-Chairman of the European Vaccine Effort against HIV/AIDS (EuroVac). Since 1989, he has been a professor at the University of Amsterdam and the Academic Medical Center. He holds a medical degree (MD) and a PhD from the University of Amsterdam. Mr. Goudsmit is a Dutch citizen.

**Mr. René Beukema** has been our General Counsel and Company Secretary since our incorporation. He held the same position at IntroGene from 1999 to 2000. From 1994 to 1999 Mr. Beukema was senior legal counsel for GE Capital/TIP Europe. From 1991 to 1994, he was legal counsel for TNT Express Worldwide N.V. He has a Masters in Law from the University of Amsterdam.

**Mr. Arthur Lahr** is Crucell's Chief Strategy Officer and Executive Vice President Business Development. He joined Crucell in April 2001 as Executive Director Business Development, was appointed Vice President Business Development in December 2003, a member of the Management Committee in January 2004; Executive Vice President in January 2006; and assumed responsibility for European marketing and sales and company strategy in 2006. From 1994 to 2001, he was a consultant with McKinsey & Co. Prior to that, he worked with Unilever. He holds a Masters in Business Administration from INSEAD and a Masters in Science, Applied Physics, from the University of Delft.

**Mr. Björn Sjöstrand** joined Crucell in 2007 and is Crucell's Chief Business Officer. He was Chief Executive Officer of SBL Vaccines before it merged with Crucell in November 2006. Mr. Sjöstrand successfully headed the Crucell-SBL integration committee while directing the travel franchise and the Nordic sales force for the Crucell Group. He initiated and led a management buyout of SBL Vaccin AB funded by 3i and SEB Företagsinvest. At SBL, he successfully turned around the company from loss-making to a growth-focused, profit-making company between 2004 and 2006. Between 1999 and 2001, he was Vice President Operations & IT at Active Biotech, where he was also a member of the senior management team. Mr. Sjöstrand completed a Bachelor of Science (BSc) degree in Economics and Business Administration at the University of Örebro. He also studied Financial Investment Theory and Commercial Law at the same university.

#### **Disclosure Committee**

The Disclosure Committee is designed to help senior management, particularly the Chief Executive

Officer and Chief Financial Officer, in the maintenance and evaluation of our disclosure controls and procedures. The Disclosure Committee gathers all relevant financial and non-financial information and assesses materiality, timeliness and necessity of disclosure of such information. The Disclosure Committee is comprised of the members of the Management Committee and selected senior managers. Members of the Disclosure Committee have direct access to our external legal counsel and our external auditor. The Disclosure Committee reports to the Chief Executive Officer and Chief Financial Officer.

The Disclosure Committee is an integrated part of our organization and is essential to our internal control over financial reporting. The Disclosure Committee and additional actions taken to further improve disclosure and internal control are intended to help us comply with the requirements of the Sarbanes-Oxley Act of 2002 and regulations promulgated by the Securities and Exchange Commission under that Act.

#### **Remuneration policy for Management Board and Supervisory Board**

The Remuneration Committee advised the Supervisory Board in 2008 to make certain changes to the remuneration policy for the Management Board, based on developments in the market as well as recommendations by the Monitoring Commission on Corporate Governance (Commissie Frijns). The main objectives of these changes are to:

- Decrease the complexity of the existing policy; and
- Re-balance the variable components (Short, and Long-Term Incentive bonus) to better reflect the responsibility of the Management Board to achieve both short-term goals and long-term strategy, following market practice.

The Supervisory Board reviewed the changes in the remuneration policy as proposed by the Remuneration Committee. The general meeting of shareholders in 2008 approved the changes in the existing remuneration policy, which took effect in 2008 and are described below.

#### **Remuneration structure**

The Management Board members receive fixed remuneration in the form of a base salary as well as performance-based compensation in the form of a short-term incentive plan and a long-term incentive plan.

The incentive for achieving target performance for the Chief Executive Officer equals 115% of base salary (65% in short-term incentive and 50% in long-term incentive). For other Management Board members the incentive is 90% of base salary (50% in short-term incentive and 40% in long-term incentive). For the Chief Executive Officer, this breaks down to 46.5% of salary in fixed compensation and 53.5% of salary in performance-based compensation. For the other three Management Board members, the breakdown is 52.6% fixed compensation compared to 47.4% performance-based compensation.

**Base salary**

In 2009, the base salary levels of the Management Board have been increased by 3 to 5% in order to keep up with inflation. Each year the Supervisory Board considers whether base salary levels should be adjusted according to external and internal business factors.

**Short-term incentive**

At the General Meeting of Shareholders in 2008, our shareholders approved the implementation of short-term cash-based incentive plans (STI). The STI bonus is now payable in cash, which is different from the share-based STI bonus in the previous years. In the approved policy, payment of the bonus begins upon 70% achievement of certain milestones. In order to compensate higher achievement of certain milestones, the payment limit was increased from 100% to 130%.

The STI bonus is linked to the achievement of predetermined collective and individual milestones. The collective milestones are based on predetermined annual goals for research, development, business development, finance, intellectual property and corporate legal affairs. We do not disclose specific details of these goals as this is commercially sensitive information. The individual milestones depend on the specific responsibilities of the individual Management Board member. Milestones linked to the STI bonus plan are revised annually and approved by our Supervisory Board.

The table below shows the relative weight of the collective and individual milestones in the STI bonus plan structure:

Management Board	Collective milestones	Individual milestones
CEO, CFO, CSO, COO	70%	30%

The target bonus of the Chief Executive Officer amounts to 65% of base salary and for the Chief Financial Officer, Chief Operational Officer and Chief Scientific Officer a target bonus of 50% of base salary is applicable. The bonus can be increased with a maximum of 30% in the event performance exceeds expectations to a considerable extent. The Supervisory Board has the discretionary power to increase or decrease the bonus by 25%.

**Long-term incentive**

At the General Meeting of Shareholders in 2008, our shareholders approved certain proposed changes in the long-term incentive (LTI) plan. The main changes in the LTI plan are as follows:

- Shift from payment in shares to payment in conditionally granted options; and
- Reduction of complexity by removing the circuit breaker and the ranking of the Company on Total Shareholder Return (TSR) in the Goldman Sachs European Biotech Index as performance indicators.

Target LTI compensation levels amount to 50% of base salary for the Chief Executive Officer and 40% for the other Management Board members. The LTI compensation can be increased up to 200% of the target award when achieving maximum performance.

Under the terms of the LTI plan, options are conditionally granted and vest at the end of a four-year performance period. The number of LTI options that vests depends on the fulfilment of the LTI performance condition.

On a vesting date CruCell's Total Shareholder Return (TSR) performance is measured against the performance of the NASDAQ Biotechnology Index during the applicable performance period. The positive difference in percentages, if any, between CruCell's TSR compared to the performance of the NASDAQ Biotechnology Index, determines the number of LTI options which vest, in accordance with the table set out opposite:

### NASDAQ Biotech Index Vesting Scheme

Positive difference between TSR performance Crucell and the NASDAQ Biotech Index	Vesting as % of target award
≥ 50	200%
≥ 35 and < 50	150%
≥ 20 and < 35	100%
≥ 10 and < 20	50%
≥ 0 and < 10	25%
< 0	0%

### Ad-hoc option grant

At the General Meeting of Shareholders in 2008 the shareholders of the Company approved an additional one-off stock option grant to members of the Management Board. The objective of the additional option grant is to increase the alignment of interests of shareholders and the Management Board and to provide an extra retention incentive.

In total, 800,000 additional options were granted to the members of the Management Board and these options were allocated as follows: the CEO received 300,000 options, the Chief Operational Officer 200,000 and the other Management Board members 150,000.

The options are conditionally granted and vest at the end of a three-year performance period. The options are granted conditionally as they include a predetermined performance condition. The performance condition is a TSR of at least 50% as of the vesting date.

### Pension

At the beginning of our 2005 fiscal year a new pension plan for our Management Board was introduced. The plan is a defined contribution plan, with a pensionable age of 65 years. The employee contribution is set at 7% of the pensionable salary (base pay minus an offset). The table below outlines the annual contribution rates, including the employee contribution. The risk premium for the survivor's pension is financed separately by the employer.

Total contribution rates for our Management Board members are:

Age	Contribution rate
25 to 30	8.4%
30 to 35	10.2%
35 to 40	12.5%
40 to 45	15.2%
45 to 50	18.7%
50 to 55	23.0%
55 to 60	28.6%
60 to 65	36.1%

### Shareholdings of the Management and Supervisory Boards

As of April 17, 2009 members of our Management Board and Supervisory Board held the following ordinary shares and options.

Name of Holder	Ordinary shares held per April 17, 2009	Options held per April 17, 2009	Year of expiration	Exercise price (€)
R.H.P. Brus	239,202	200,000	2011	3.49
		90,000	2011	2.64
		125,000	2011	5.94
		300,000	2013	12.23
L. Kruimer	28,195	36,170	2016	10.82
		30,000	2011	3.49
		125,000	2011	5.94
		150,000	2013	12.23
C. de Jong	2,406	19,490	2016	10.82
		185,000	2012	14.58
		200,000	2013	12.23
		20,655	2016	10.82
J. Goudsmit	169,276	125,000	2011	5.94
		150,000	2013	12.23
		23,388	2016	10.82
		<b>Totals</b>	<b>439,079</b>	<b>1,779,703</b>
J.P. Oosterveld	12,000	10,000	2009	8.81
		10,000	2009	11.55
S.P. Lance	12,500	10,000	2011	7.86
		10,000	2009	11.55
P.M. Satow	66,300	10,000	2009	11.55
		22,000	2011	3.49
		10,000	2011	6.48
		10,000	2009	11.55
C.E. Wilhelmsson	10,000	10,000	2011	6.48
		10,000	2009	11.55
A. Hoevenaars	10,000	5,000	2009	8.81
		10,000	2009	11.55
S. Davis	5,000	–	–	–
<b>Totals</b>	<b>115,800</b>	<b>117,000</b>		

During the period December 31, 2008 and April 17, 2009, a number of 250,000 options with an exercise price of € 9.4 were exercised by Ronald Brus and 85,000 options were exercised by Jaap Goudsmit with an exercise price of € 9.4. There were no other changes in the number of options held by members of the Management Board or Supervisory Board.

For additional details on remuneration of members of the Management and Supervisory Boards reference is made to note 5.23 'Related parties' in the financial statements.

### Principal accountant fees and services

Deloitte Accountants B.V. audited the accompanying consolidated balance sheets of Crucell N.V. and subsidiaries (the 'Group') as of December 31, 2008 and 2007 and the related consolidated income statements, shareholders' equity, and cash flows for the years then ended.

The Sarbanes-Oxley Act of 2002 requires that Audit Committees pre-approve all services provided by the Company's external auditor. This process is critical to the auditor maintaining independence. Our process requires that all services provided by the external auditor are pre-approved by the Audit Committee.

During 2008 and 2007, we paid the following amounts to our external auditors for audit services, audit related services and tax services.

Year ended December 31,	2008	2007
Audit fees	840	904
Audit related fees	75	64
Fees for services related to Consultations on tax matters	—	—
<b>Total</b>	<b>915</b>	<b>968</b>

Audit fees include fees associated with the annual audit, interim reviews, required statutory audits and services that only the external auditor can reasonably provide, such as services associated with documents issued in connection with securities offerings.

Audit-related fees include accounting consultations on financial and accounting reporting standards.

### Responsibility statement

Crucell's Management Board, as required by section 5.25c paragraph 2c of the Dutch Act on Financial Supervision (Wet op het Financieel Toezicht), confirms that to the best of their knowledge:

- The financial statements of 2008 give a true and fair view of the assets, liabilities, financial position and the profit or loss of the Group;
- The Annual Report gives a true and fair view of the Group's position and the state of affairs as per December 31, 2008; and
- The Annual Report contains a description of the material risk factors that the Group faces.

### Controls and procedures

#### Internal risk management and control system

Crucell's Management Board is responsible for designing, implementing and operating the Company's internal risk management and control systems. The purpose of these systems is to manage in an effective and efficient manner the significant risks to which the Company is exposed. Crucell's internal and risk management and control systems with respect to financial reporting are in line with the guidance set forth in the COSO model, an integrated internal control framework established by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's internal risk management and control systems are designed

to provide reasonable assurance that strategic objectives can be met. Such systems can never provide absolute assurance regarding achievement of Company objectives, nor can they provide an absolute assurance that material errors, losses, fraud, and the violation of laws or regulations will not occur. A summary of the risks that could prevent Crucell from realizing its objectives is included in the section 'Risk Factors' of this report.

Our internal risk management and control systems make use of various measures including:

- Annual strategic evaluations of our business;
- Periodic operational review meetings of the Management Board with the Management Committee;
- Quarterly financial planning meetings of the Management Board with the Supervisory Board;
- A planning and control cycle consisting of annual, quarterly and monthly procedures, including subsequent follow-up on achievements of targets set;
- Advice of Crucell's Disclosure Committee to our Chief Executive Officer and Chief Financial Officer with respect to the timely review, disclosure and evaluation of periodical (financial) reports as well as with respect to the maintenance and evaluation of disclosure controls and procedures;
- Letters of representation that are signed by selected key-management members on a quarterly basis in which they confirm that for their area of responsibility based upon their knowledge:
  - An effective system of internal controls and procedures is maintained; and
  - The financial reports fairly present the financial position, results of operations and cash flows;
- Management letters and audit reports provided by our external auditor;
- Crucell's standardized and formalized working practices, including the Biological Safety Manual which was developed in-house to meet the specific needs of Crucell's working environment; and
- The Code of Conduct of Crucell.

The Management Board has discussed the internal risk management and control system with the Audit Committee and the Supervisory Board.

As a result of its listing at NASDAQ, Crucell is also obliged to comply with Section 404 of the Sarbanes-

Oxley Act of 2002 and related regulations (Section 404). Section 404 addresses the responsibility of the Management Board for establishing and maintaining an adequate system of internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our public financial reporting.

**Evaluation of disclosure controls and procedures**

We have evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of December 31, 2008. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures as of December 31, 2008 were effective to provide reasonable assurance that information required to be disclosed in the reports we file or submit under the US Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**Management’s Report on Internal Control over Financial Reporting**

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the US Securities Exchange Act of 1934. The Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company’s internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect

- the transactions and disposition of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only by authorized employees in accordance with documented authorizations; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness for future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002, Management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2008. In making this assessment, Management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

Based on its assessment and those criteria, Management concluded that the Company maintained effective internal control over financial reporting as of December 31, 2008.

Deloitte Accountants B.V., the independent registered public accounting firm that audited the financial statements included in this Annual Report, has issued an attestation report on the effectiveness of the Company’s internal control over financial reporting as of December 31, 2008 as stated in their report beginning on page 116 of this report.

**Changes in internal control over financial reporting**

There has not been any change in the internal controls over financial reporting of the Company that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, such internal controls over financial reporting.