

Lundbeck Foundation's tax policy

With substantial contributions to Danish research and ownership of three of the largest Danish corporations, Lundbeck Foundation has considerable influence on social and economic development in Denmark. For us, such influence comes with a high level of responsibility. Also when it comes to tax.

The income tax paid by corporations and foundations has come under increased focus in recent years. The distinction between legal tax optimisation and illegal tax evasion has developed into a debate on the ethics of corporate tax deductions and the lack of transparency when it comes to corporate tax affairs.

In response to this debate, we wish to make our position and policy on tax clear.

Responsibility

Lundbeck Foundation is a responsible taxpayer. We fulfil all tax obligations that apply to our activities and work to minimise tax risks.

According to the Danish Foundation Tax Act, foundations may reduce their tax payments based on the grants and donations they issue. In our case, this means that the funds we allocate to grants are deductible. The political intention behind this law is not to exempt foundations from paying tax, but to encourage the support of charitable and non-profit making activities.

Following the intentions of the Tax Act, we strive to be a responsible taxpayer *and* an active industrial foundation – by putting our profit to work in Danish life science.

Transparency

In all governance matters, we run a transparent operation. This applies to tax matters as well. We communicate openly about tax management, the Foundation's total tax payments as well as the Group's effective tax rate.

We invite anyone to address questions on tax directly to us. We provide employees, the employees in our subsidiaries, and people related to the Foundation with the opportunity to raise or report any issues of concern confidentially through our whistle-blower scheme.

Four guiding principles

We have defined four principles that apply to all our activities and help guide our decision making in all matters relating to tax:

We always comply with tax legislation.

Lundbeck Foundation must at all times comply with current legislation in the jurisdictions our activities fall under. Any assessment of compliance will always be based on the intention of the law in question. Should interpretations as to the law's intentions materially differ, we will seek to clarify the issue for significant matters by contacting the relevant tax authorities and get them to provide a binding response.

Engaging in any form of tax evasion is unacceptable.

We place activities in a way that allows us to compete on equal terms within the industry.

We place our activities and investments where they make good business sense and allow us to compete on equal terms in the industry. When assessing the value of new or acquired activities, we always consider their effect on the reputation of the Group and its subsidiaries. Particularly in cases where existing activities are moved outside Denmark.

We always pursue activities for commercial reasons – and not to gain tax benefits.

When making investments, our primary focus is always commercial. All tax planning takes place in this context. No activities, including investments, should be structured or initiated purely for tax reasons.

We can account for all our decisions and transactions on tax.

Our investments are many and various. To ensure that we can account for all our decisions and transactions, all key issues – including tax – must be carefully considered before any new investment is made.

Framework and reference

- **Definition:** 'Tax'/'taxes' refer to income taxes, which includes corporation taxes, taxes deducted at source, VAT, and duties.
- **Reference:** This tax policy applies to Lundbeck Foundation and Lundbeckfond Invest A/S. Lundbeck Foundation's three subsidiaries – H. Lundbeck A/S, ALK-Abelló A/S and Falck A/S – enter into mandatory joint taxation with Lundbeckfond Invest A/S. The latter acts as administrator in the joint taxation. When Lundbeckfond Emerge and Lundbeckfond Ventures invest in companies and obtain control, these companies automatically become part of the joint taxation and will, from a tax perspective, be considered as subsidiaries. These companies' tax policies must comply with the one set out here.
- **Responsibilities:** The Board of Trustees is responsible for defining the Foundation's policy on tax. Our CEO must ensure that we comply with this policy in all our activities. The CEO may delegate tasks but will always hold full responsibility for compliance. If you wish to know who to contact with a specific tax enquiry, please consult our [areas of responsibility](#).
- **External advice:** We call in external advisors to assist in cases where our own staff do not have the relevant expertise. External expertise is also drawn upon for significant transactions and decisions in which tax plays a key role.
- **Updates:** This policy must be updated at least once a year. Any changes to the policy must be approved by the Board of Trustees.

Areas of responsibility

Area	Person responsible/tasks
Tax planning for the Lundbeck Foundation Group	CFO Handling all obligatory joint taxation issues with the Foundation's subsidiaries Ensuring correct taxation at Group level Monitor tax position – incl. utilisation of the Foundation's tax-related provisions Follow developments within tax regulation and assess their implications
General compliance	CFO Prepare statement of taxable income with related documentation and tax return in compliance with current legislation Answer enquires from SKAT (The Danish Tax Authority) Ensure timely payment of tax Calculate and analyse the effective tax rate Honour all commitments related to obligatory joint taxation
Reporting	CEO/CFO Reporting in accordance with tax legislation Reporting tax-related issues to the Foundation's Board of Trustees
Significant decisions	All decisions of major significance related to finance and reputation are made by the Foundation's Board of Trustees.