

COMMUNICATION ON ENGAGEMENT

The Lundbeck Foundation (Lundbeckfonden)

Period covered by this Communication on Engagement

From: November 2018 To: August 2021

Part I. Statement of continued support by Chief Executive Officer, Mrs. Lene Skole

August 23rd, 2021

To our stakeholders:

I am pleased to confirm that the Lundbeck Foundation (Lundbeckfonden in Danish) reaffirms its support for the United Nations Global Compact and its ten principles in the areas of Human Rights, Labour, Environment and Anti-Corruption. In this, our third Communication of Engagement, we describe the actions that our organisation has taken to support the UN Global Compact and its principles as suggested for an organisation like ours. We also commit to sharing this information with our stakeholders using our primary channels of communication.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'lene skole', written in a cursive style.

Lene Skole
Chief Executive Officer, the Lundbeck Foundation

Part II. Description of Actions

Lundbeck Foundation is one of Denmark's largest commercial foundations, with a net wealth more than DKK 64 billion.

The Foundation has a portfolio of assets and investments which spans three subsidiary companies – Lundbeck, Falck and ALK-Abellø – as well as financial investments valued at approx. DKK 20 billion, and a portfolio of 25 life science investments in Europe and the USA.

Dividends from the strategic investments and returns on other investments help support the Foundation's other principal contribution to society – the awarding of more than DKK 500 million each year in grants to support Danish-based research in biomedicine with a focus on strengthening neuroscience.

All grants are covered by a strict Lundbeck Foundation Code of Good Research Practice, which all recipients must agree to. This code draws upon recognised standards for research practice, including Denmark's Code of Conduct for Research Integrity, and it ensures fairness in the assessment of applications, and prohibits conflicts of interest, while setting out standards for the quality and conduct of any research undertaken. All grant recipients must document their adherence to these policies through regular status reports and face-to-face meetings.

Being a commercial foundation carries with it considerable influence over social and economic development, which demands integrity and transparency. It also comes with a high level of responsibility.

This is reflected in the way the Foundation conducts itself regarding governance, transparency, taxation, and diversity:

Governance

In addition to signing up to the UN Global Compact in 2012, Lundbeck Foundation sets high standards for good governance and fully complies with the Danish Commercial Foundations Act (in Danish: Erhvervsfondsloven), and its recommended standards on corporate governance, as well as meeting or exceeding all its best practice recommendations.

Transparency

To ensure transparency, the foundation has an established whistle blower scheme which provides employees throughout the group and people related to the Foundation (e.g., researchers) with a confidential way to report any suspected wrongdoing.

The Foundation also publishes its key policies at www.lundbeckfonden.com. Furthermore, it has also started to report key data on ESG and diversity in relation to The Brain Prize.

In 2020, the Kraft & Partners report 'The Danish Foundation Analysis 2020', named Lundbeck Foundation as one of the most transparent Danish foundations.

Taxation

The Foundation has a publicly available Tax Policy which also covers its subsidiaries. When Lundbeckfonden invest in companies, these companies must comply with the principles in our Tax Policy:

- We fulfil all tax obligations that apply to our activities and work to minimise tax risks
- We comply with current legislation in the jurisdiction where our activities are carried out
- We call in external advisors to assist in cases where our own teams do not have the relevant expertise and engage in dialogue with national tax authorities, both in Denmark and abroad.
- We communicate openly on tax management, the Foundation's corporate tax payments as well as the effective tax rate
- We place activities in a way that allows us to compete on equal terms within the industry
- We always pursue activities for commercial reasons – and not to gain tax benefits
- We can account for all our decisions and transactions on tax

Furthermore, the Lundbeck Foundation has adopted the pension sector's Tax Code of Conduct which contains a common set of principles and recommendations for responsible tax behaviour regarding unlisted investments made via external asset managers.

Diversity policies

It is a prerequisite for the success of the ambition of the Foundation – Denmark becoming a world leading neuroscience nation – that talents of gender, nationality, cultural and societal background have equal opportunities.

Lundbeck Foundation supports gender equality and diversity and aims for gender balance on the boards of the Foundation and its three subsidiaries. All of the Lundbeck Foundation panels and committees that evaluate, recommend and decide on applications and nominations strive to ensure that the proportion of the underrepresented gender is at least 40%.

With three women on the board, the Foundation exceeds its target of having a board that comprises at least two men and women. In addition, Lundbeck Foundation's six-strong management team comprises three women and three men.

As part of its commitment to human rights, in 2019, the Foundation launched a diversity policy in connection with its grants and prizes activities. The policy strives to ensure inclusive and unbiased processes, including in the calls for applications and nominations, as well as the evaluations, and subsequent selection of grants nominees. The Board of Directors monitors the diversity among the applicants and grantees and among the prize nominees on a yearly basis.

It is also reflected in the ethical criteria the Foundation applies to its investment decisions, particularly when it comes to the areas covered by the UN Global Compact:

Financial Investments

The primary purpose of Lundbeck Foundation's investment strategy is to ensure continued funding for its grant-making activities in science and health and to ensure sufficient reserves for its strategic investments. As such, the first consideration of any investment decision is the balance of financial risk versus potential benefit.

The primary guidance for this is the Foundation's investment policy, which incorporate environmental, social and governance (ESG) factors. Companies that act responsible and ethically are often also the ones that create the most value in the long term. The investment portfolio balances risk with long-term value creation. All investments must comply with the Foundation's ESG principles which describe what the Foundation invest and do not invest in. An external consultant monitors the portfolio investments for issues related to the ESG policy and an ESG status report is reviews and approved by the CEO and the Investment Committee twice a year. In 2020, no investments were identifies as being in violation of the ESG policy.

And it is reflected in the ownership model that the Foundation applies with regard to the three companies under its stewardship:

Subsidiaries

The Foundation's values and policies are shared across the entire Group and the Foundation's representatives on each board of directors ensure that, while specific details may be adapted to meet the needs of each subsidiary and industry, appropriate standards are enshrined in policies which are then enforced. All subsidiaries pursue a proactive approach to the SDGs and sustainability.

Part III. Measurement of Outcomes

Since the Foundation's last Communication on Engagement, in November 2018, the following progress has been made on the two key goals that were outlined in that report.

Goal no. 1: The Lundbeck Foundation will continue working on the three goals from its first CoE with a particular focus on influencing its remaining subsidiaries to formally sign up to the UN Global Compact.

The first goal from the earlier CoE was to strive all our three subsidiaries to sign up to the UN Global Compact. At the time of this CoE all three subsidiaries (H. Lundbeck, Falck and ALK) have signed up to the UN Global Compact.

Goal number two was to implement principles for responsible investments and sign up with a third party ESG-auditor. As mentioned above this have been fulfilled.

Number three was to turn our headquarters in Copenhagen into a low-emission building. As mentioned in the CoE from 2018 heat reflective glass has been incorporated in the Foundation's headquarters building in Copenhagen to minimise the need for cooling, and roof-based solar panels to minimise the use of electricity from the grid.

Goal no 2: We will implement the diversity and inclusiveness policy which is in the making and take relevant initiatives to actively strengthen the gender balance in everything we do.

See description under 'Diversity Policies'.

In autumn 2021 the Foundation will implement a Scientific Enrichment Prize celebrating researchers who have a diversity approach to science. The Foundation will also fund initiatives which promote diversity in a broad sense, gender, nationality, cultural and societal background.

From 2020 the Foundation has initiated a push to grow the gender diversity among the external nominations for talent prizes (Talent Prize and Young Investigator). The calls have been rewritten and it is now possible for universities to nominate more than one candidate in order to think 'out of the box'. Further, the Foundation has reached out to all the Danish universities to stress the importance of diversity in their nominations. This has already led to changes as the Foundation has received more nominations of female candidates than ever before (50 pct. female candidates for the Talent Prize and 44 pct. female candidates for the Young Investigator).

Goal no. 3: The UN Sustainable Development Goals - Lundbeck Foundation wants to do its part and over the coming two years, it will explore the possibilities of gradually adapting its strategy to address a range of SDGs.

The Foundation strives to play a part in achieving the SDGs primarily through the business practices of the three subsidiaries. Each of the three companies has an SDG strategy related to its areas of interest.

There is an obvious and direct connection between the Foundation's purpose and the SDG activities that are related to health, education, and gender equality. However, goal number 3, which focuses on good health and well-being, remains the pre-eminent goal, underscored by both the Foundation's investments and holdings in healthcare and life science companies, and by its grant activities for neuroscience and health research.

One of the Foundation's direct actions in support of the SDGs was taken in 2019, when the Foundation granted support for the development of a set of Danish indicators as a supplement to the 231 global indicators. The purpose was to provide Denmark and its government with a means by which to measure the nation's progress towards reaching the goals and to help prioritise the efforts.

Investment focus on climate change

In 2020, the Foundation extended its investment focus on climate change by adding a range of green energy transition companies to the portfolio and gradually exiting investments in energy companies not truly committing to transitioning from oil and coal to wind, hydrogen, and other renewable energies.

The Foundation continues to invest in forest land as a long-term investment with a positive CO2 footprint.

Partnerships

UN Global Compact Network Denmark: Since 2017, the Foundation has been a member of the UN Global Compact Network Denmark, which was established following a conference at the Danish Confederation of Industries, for Danish signatories to the UNGC.

Sustainia: Since 2020, CEO Lene Skole has been a member of the global network Sustainia. The purpose of Sustainia is to advise organisations, cities, and companies on sustainable solutions.

Part IV. The coming two years

In the fall of 2021, the Lundbeck Foundation initiated a project to further develop the Foundation's sustainability efforts in the coming years. In this project, the Foundation's current approach to sustainability will be reviewed, discussed, and developed and serve as basis for the Foundation's reporting and external communication, based on relevant SDGs besides SDG no. 3 'Good Health and Well Being'. Apart from guiding the foundations sustainability activities in the coming 2-3 years, the work will serve as the basis for the external reporting in the annual CSR-report.