

# COMMUNICATION ON ENGAGEMENT

The Lundbeck Foundation (Lundbeckfonden)

## Period covered by this Communication on Engagement

From: August 2021 To: July 2023

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

July 4th, 2023

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 fourth 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, reading "lene skole". The signature is written in a cursive, flowing style.

Lene Skole  
Chief Executive Officer, the Lundbeck Foundation

## **Part II. Description of Actions**

The Lundbeck Foundation is one of Denmark's largest enterprise foundations, with a net wealth of more than DKK 51 billion.

The Foundation has a portfolio of assets and investments that spans four strategic ownerships – Lundbeck, Falck, ALK-Abellò, and Ferrosan Medical Devices – as well as a broad portfolio of financial and alternative investments. Further, the Foundation is an early-stage investor in biotech with a portfolio of 20 investments in Europe and the US.

The Foundation's dividends and financial returns are reinvested in the strategic ownerships and given as grant to support research in biomedicine with a focus on strengthening neuroscience.

Being an enterprise 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 across all activities, and how it conducts itself on issues specific to its philanthropic activities, financial investments and ownership model.

### Governance

The Foundation's work on sustainability is anchored at the board with the CEO as the overall responsible. In 2023, the Foundation adopted its first sustainability policy covering all areas of activities and brought in additional resources to drive and lead the work on sustainability and to ensure readiness for new regulative requirements across all commercial and philanthropic activities.

In addition to signing up for the UN Global Compact in 2012, the Lundbeck Foundation sets high standards for good governance and fully complies with the Danish Enterprise Foundations Act (in Danish: Erhvervsfondsloven), and its recommended standards on corporate governance, as well as meeting or exceeding all its best practice recommendations. Moreover, CEO Lene Skole was in 2023 elected as the vice chair of the Committee for Good Foundation Governance (in Danish: Komitéen for god Fondsledelse), which is managed by the Danish Business Authorities (in Danish: Erhvervsstyrelsen).

### Transparency

The Lundbeck Foundation publishes every year a Sustainability Report, which is approved by the Board together with the annual report. The report tracks the annual progress on ESG and SDGs for the Foundation as well as its strategic ownerships.

The Foundation's Sustainability policy is, together with other policies and the annual report and sustainability report, published at [www.lundbeckfonden.com](http://www.lundbeckfonden.com). This also includes key data on ESG and diversity.

In 2021, the Kraft & Partners' report 'The Danish Foundation Analysis 2021', named the Foundation as one of the most transparent foundations in Denmark.

The Foundation has an established whistle-blower scheme that provides employees throughout the group and people related to the Foundation (e.g., researchers) with a confidential and anonymous reporting mechanism.

### Taxation

The Foundation has a publicly available Tax Policy which also covers its subsidiaries. The Tax Policy was last revised and approved by the board in 2023. When the Lundbeck Foundation invests in companies, these companies must comply with the principles in our Tax Policy. The Tax policy is also accessible at [www.lundbeckfonden.com](http://www.lundbeckfonden.com).

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

To realise the ambition of the Foundation – Denmark becoming a world-leading neuroscience nation – we need equal opportunities for talents regardless of gender, nationality, education or age.

The 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%.

The Lundbeck Foundation has two women and five men in the board, and two women and five men in the executive management team.

### Philanthropic activities

With regard to the philanthropic activities, the sustainability policy draws upon recognized standards, as well as best practice examples from top research institutions. All grant recipients must document their adherence to these policies through regular status reports and face-to-face meetings. Furthermore, calls require all major applicants to explicitly state how their research is intended to achieve proper scientific and societal impact by including a 'Roadmap to impact'.

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 the Danish 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.

The Foundation tracks data regarding gender, and calls require applicants to explicitly state how they would incorporate diversity in their leadership practices. 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.

### Financial Investments

The primary purpose of the Lundbeck Foundation's investment strategy is to support the development of its strategic ownerships and to ensure continued funding for its grant-making activities in science and health. All investment decisions balance the financial risk versus potential benefit.

The Foundation's investment policy incorporates environmental, social and governance (ESG) factors. This is based on the view that companies that act responsibly and ethically also create the most value long term. The Foundation does not invest in tobacco and weapons manufacturing. The investment portfolio balances risk with long-term value creation and all investments are screened with respect to ESG twice a year, and an ESG status report is reviewed and approved by the CEO and the Investment Committee subsequently. In 2022, no investments were identified as being in violation of the ESG policy.

### Ownership

The Foundation's values and policies are shared across the entire Group and the Foundation's representatives on each board of directors ensures 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.

As stated in the sustainability policy, it is expected that all ownerships live up to at least the following:

- Are committed to the UN Global Compact.
- Are able to account for their most relevant ESG topics on a fact-based foundation.
- Have defined a sustainability strategy addressing the aforementioned topics, which is annually discussed by the board of directors.
- Have a system for monitoring and reporting on the development in ESG performance.

During the investment in Ferrosan Medical Devices, the Foundation developed a framework for ESG-due diligence identifying potential threats and opportunities related to ESG. This framework is designed to be used going forward when screening potential new investments.

## **Part III. Measurement of Outcomes**

Since the Foundation's last Communication on Engagement in August 2021, the following progress has been made on the 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*

The first goal from the earlier CoE was to strive for all our three subsidiaries to sign up for the UN Global Compact. At the time of this CoE, all three strategic ownerships (H. Lundbeck, Falck and ALK) have signed up to the UN Global Compact. Furthermore, the new strategic investment Ferrosan Medical Devices has public stated the full support for the UN Global Compact Ten Principles.

Goal number two was to implement principles for responsible investments and sign up with a third-party ESG auditor. As mentioned above this has been fulfilled, and the portfolio is audited biannually.

Goal number three was to turn our headquarters in Copenhagen into a low-emission building. The Foundation has implemented heat reflective glasses and roof based solar panels and taken multiple actions towards minimizing food waste from the canteen. Moreover, employees are provided with alternatives to fossil fuel vehicles when attending meetings outside the office as electric bikes are freely available.

*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.*

The Foundation has taken the next step and implemented a broader sustainability policy, which covers all the areas within ESG. The former diversity and inclusiveness policy is now represented as a part of the 'S' in ESG Policy. This sustainability policy is accessible from the Foundation's website, as well as in the annual sustainability report.

Transparency and data are important when promoting diversity and inclusion, and the Foundation has taken multiple steps to ensure this. This includes data on diversity including gender between the nominees public available when awarding the global flagship prize The Brain Prize.

In autumn 2021 the Foundation implemented the Scientific Enrichment Prize celebrating researchers who have a diversity approach to science. The Foundation will also fund initiatives that promote diversity in a broad sense including gender, nationality, education or age.

The Foundation has initiated a push to grow gender diversity among the external nominations for talent prizes (Talent Prize and Young Investigator). The calls have been rewritten to allow for 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.

*Goal no. 3: The UN Sustainable Development Goals: The 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 four ownerships.

There is an obvious and direct connection between the Foundation's purpose and the SDG activities that are related to health, education, governance, and innovation. 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. Furthermore, as a part of the Foundation's purpose and strategy SDG 8, 9, and 16 have also been chosen as key focus areas.

Since the last reporting period, the Foundation has supported SDG 3, 8, 9, and 16 in the following ways:

- Goal number 3: In 2022, the Foundation launched Neurotorium for clinicians, educators, and everyone who is interested in exploring the brain. Neurotorium is an open, free, online platform intended to enhance knowledge of the brain and its diseases globally, and already has a broad userbase across the globe.
- Goal number 8: The Foundation collaborated with Kraka Advisory, which conducted and published an in-depth analysis comparing companies with different ownership models. The study showed that companies owned by an enterprise foundation operate with a stronger focus on innovation and social aspects, such as talent development, employee engagement, pay equality, and diversity.
- Goal number 9: In 2022, a new grant, Frontier Grants, was launched. The aim is to advance mature research projects into investments cases for business building.
- Goal number 16: The Foundation's climate footprint is primarily linked to the four strategic ownerships. However, the Foundation has taken the first steps towards measuring its Scope 3 emissions, focusing on emissions from airline travel as a starting point. While fully reporting on scope 1 and 2 emissions, a study was carried out to define a 2022 baseline of 152 tonnes in scope 3 emissions, and the Foundation decided to purchase high-quality carbon offset credits based on carbon removal projects to compensate for its travel activities.

#### Investment focus on climate change

The Foundation has a considerable range of green energy transition companies in its portfolio and is in the process of gradually exiting investments in energy companies which are not truly committed to renewable energy. Further, the biannual third-party ESG audit of the investment portfolio has not found any inadequacies in the allocation of our capital.

In 2022 the Foundation also conducted a mapping of the total CO<sub>2</sub> emissions stemming from the investment portfolio in 2021. This mapping concluded that the emissions are lower compared to relevant peers.

Moreover, the Foundation continues to invest in forest land as a long-term investment with a positive CO<sub>2</sub> footprint.

#### Partnerships

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.

The Foundation has in 2022 engaged in a partnership with the Novo Nordisk Foundation and the University of Copenhagen, with the goal of uncovering the opportunities for improving sustainable practices within research.

#### **Part IV. The coming two years**

For the coming two years – 2023 to 2025 – the Lundbeck Foundation will continue working on the three goals from its first CoE. The goal is to ensure that the Foundation is at the forefront with upcoming requirements while following best practices within its field, as well as making sustainability a real value driver as a strategic tool to further the Foundation's work as responsible investor, owner, and philanthropist.