

Communication on Progress Report 2011



Report content

- Introduction
- Executive statement
- Key targets for Corporate Responsibility
- Activities covering all principles in the Global Compact
- Activities covering Human Rights principles
- Activities covering Labour principles
- Activities covering the Environmental principles
- Activities covering the Anti-Corruption principle
- Methodology

We believe that an open and honest dialogue will benefit our stakeholders as well as our Corporate Responsibility efforts, and we invite you to participate. Feel free to contact us with any questions or comments on compliance@lundbeck.com.

Lundbeck's Communication on Progress report is available online at: <http://www.lundbeck.com/global/corporate-responsib>. This document is a pdf-version of the online report.

Introduction

Lundbeck's Corporate Social Responsibility builds on our company values

Lundbeck strives to be the company that makes the biggest difference worldwide in the treatment of patients suffering from brain disorders. We will pursue this ambition in accordance with Lundbeck's corporate values of being: Imaginative, Passionate and Responsible.

The [UN Global Compact](#) is Lundbeck's strategic framework for its activities in the field of corporate social responsibility (CSR). We use the framework to ensure that we conduct business to a high standard within the areas of human and labour rights, environmental protection, anti-corruption and reporting.

Lundbeck's corporate social responsibility strategy contains five prioritised areas for 2010-2012:

- **Ethics and behavior:** We will draw up and implement binding guidelines enabling all employees perform their duties in accordance with our business ethics.
- **Supplier standards:** We will continue to evaluate the ethical standards of our current and future supplier base. All our suppliers must operate in accordance with the ethical standards outlined by the UN Global Compact.
- **Access to health:** We will create a vision for how to improve access for vulnerable groups to treatment of brain disorders. In parallel, we will regularly evaluate our efforts in this area.
- **Health, safety and environment:** We will ensure a healthy working environment for our employees and assume responsibility for reducing our environmental impact.
- **Transparent reporting:** We will work with relevant stakeholders to increase transparency in Lundbeck by developing and reporting on selected indicators for our corporate responsibility.

The 2011 activities that we have initiated and results accomplished are described in this report. If you have further questions or comments please visit our web page for additional information or contact us at compliance@lundbeck.com

<http://www.lundbeck.com/global/corporate-responsib>

<http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html>

Executive statement

Lundbeck has been a participant since 2009. In 2012 we will continue our support for the UN Global Compact initiative



By signing the UN Global Compact, Lundbeck acknowledges the importance of supporting the ten principles for sustainable business development in the areas of human rights, labour, the environment and anti-corruption.

Lundbeck signed the UN Global Compact in September 2009. Our Corporate Social Responsibility (CSR) initiatives are guided by these principles that we are convinced contribute to the long-term value creation for all our stakeholders.

We want to develop and make innovative treatment available for patients suffering from brain disorders worldwide. At the same time we are committed to conduct our business according to high business ethical standards, which reflect the UN Global Compact, our Code of Conduct and industry standards.

We understand that the UN Global Compact requires a strong leadership commitment from the participating companies. As President and CEO of Lundbeck, I lead the Lundbeck commitment by heading the management committee that approves and monitors all our Corporate Compliance & CSR initiatives. The continued improvement, stakeholder dialogue and follow-up on commitments are also followed by the Executive Management team and the Lundbeck Board.

In this report, we aim to communicate our progress made during 2011 regarding the UN Global Compact principles in a transparent and accurate way.

In general we have had a strong performance. In my view the successful implementation of our Code of Conduct that covers the principles in the UN Global Compact and the significant reduction in our CO₂ emission were two of the most prominent results in 2011. We also identified a need to clarify our position and increase our actions to support and respect of the internationally proclaimed human rights in the coming years; primarily by developing a global strategy and actions to promote Access to Health for people suffering from brain disorders.

When reading through this report, I hope you will be inspired to engage in a dialogue with us about our Corporate Social Responsibility ambitions and initiatives.

A handwritten signature in blue ink, appearing to read 'Ulf Wiinberg'.

Ulf Wiinberg
President and CEO of Lundbeck

Key targets for Corporate Compliance & CSR

The 2011 targets, status and 2012 goals are outlined below

	Target 2011	Status 2011	Target 2012
Ethics and behavior	Complete the Code of Conduct (CoC) implementation	Achieved (cf. p. 6)	Update CoC Develop and conduct refresher training course
	Incorporate CoC Audits in Lundbeck audit framework (Audit Coordination Group)	Achieved (cf. p. 12)	Continued coordination of cross-functional audits covering CoC topics
	Establish corporate CoC Risk Map process	Achieved (cf. p. 12)	Conduct compliance reviews in business units & affiliates based on Risk Map
	Launch a compliance network to promote better practice sharing	Not achieved strategy revised	Launch a compliance network to promote better practice sharing
Supplier Standards	Launch Corporate Purchasing policy reflecting UN Global Compact & Code of Conduct requirements	Achieved (cf. p. 7)	-
	Launch Corporate Guideline for Supplier Evaluation	Achieved (cf. p. 7)	Follow up on implementation of Guideline Develop and implement tools Make information available to stakeholders on company web page
	Launch global third party compliance policy	Achieved (cf. p. 7 & p. 12)	Implement third party due diligence in supplier & collaborator evaluation process Implement review process to monitor incorporation of CoC obligations in contracts
Access to health	Develop, Publish and implement a Corporate Access to Health Strategy	Not achieved	Develop framework for the Lundbeck Access to Health Strategy Publish strategy on the www.lundbeck.com Initiate one project
Health, safety & environment	Reduce our CO ₂ emissions 25% below the level recorded in 2006 by 2012	Achieved (cf. p. 11)	Reduce energy consumption and CO ₂ emissions by 15% in 2012 compared to 2010.
	Reduce waste associated with manufacturing operations by 5% compared to 2010	Not achieved (p. 11)	Recover 50% of selected solvents in manufacturing operations

	Target 2011	Status 2011	Target 2012
	<p>Achieve accident frequency of less than 5.75 per million of work hours</p> <p>Achieve days of absence per accident < 6</p> <p>90% satisfaction score in assessment of psychological work environment</p>	<p>Achieved</p> <p>Achieved</p> <p>Not achieved (cf. p.10)</p>	<p>Max. accident frequency ≤ 5 per million of work hours</p> <p>Absence per accident ≤ 5</p> <p>Obtain score in Employee Satisfaction Survey ≥ 70</p>
Transparent Reporting	Timely submission of the Communication on Progress (COP) to UN Global Compact	Achieved	Timely submission of the Communication on Progress (COP) to UN Global Compact
	Launch of enhanced electronic CoC compliance reporting system	Achieved (cf. p. 12)	Report risk map and report to Corporate Management Group every quarter



Activities covering all principles in the Global Compact

Some activities relate to all principles in the UN Global Compact. This applies to our activities regarding Code of Conduct and Supplier Standards

Implementation of the Lundbeck Code of Conduct

Our Code of Conduct (CoC) covers the global requirements relating to the pharmaceutical industry and requirements defined by Lundbeck to comply with good business ethics and fulfill our stakeholders' expectations. Compliance with the ten principles of the UN Global Compact covered by these requirements.

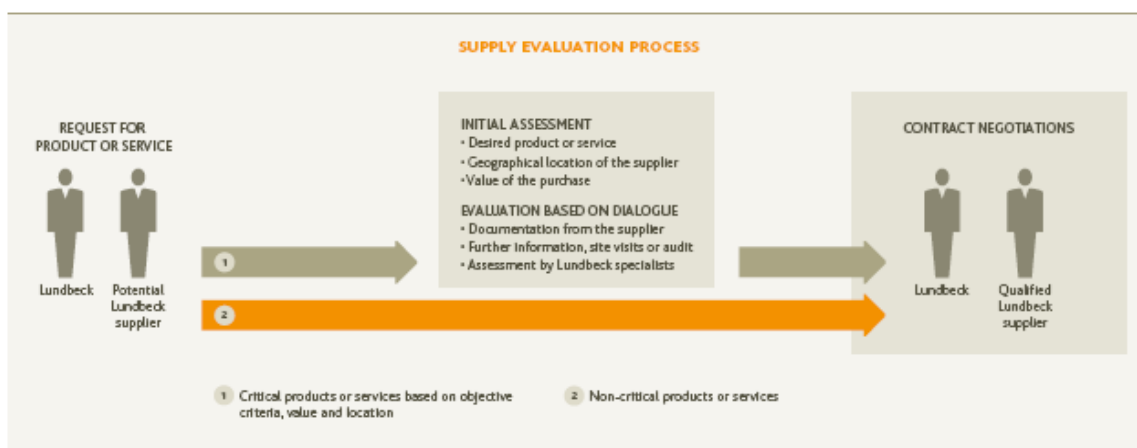
In 2011 all employees completed CoC training and certified that they will work according to the principles. The implementation covered employees in 36 business units and 61 affiliate companies. To improve and facilitate monitoring of compliance with the Code of Conduct an electronic reporting system covering all key aspects of the code was successfully implemented in 2011.

In 2012 the CoC will be updated based on the lessons learned with regard to implementation and reflecting ongoing changes in industry standards and regulations in general. Furthermore, everyone will be re-trained and be completing re-certification. Implementation rate will be covered by audit processes.



Supplier & Collaborator Standards

In 2011 a corporate purchasing policy was introduced. A new supplier evaluation procedure was launched to implement the policy. Hereby, it was made clear that Lundbeck expects all suppliers and collaborators to meet the minimum requirements contained in the UN Global Compact. Evaluation criteria covering UN Global Compact and Lundbeck CoC aspects are now included in the supplier evaluation process. In 2012, we will evaluate existing suppliers and collaborators according to the new evaluation procedure as outlined in the figure below. Any new suppliers and suppliers will also be covered as relevant.



The supplier evaluation procedure involves an initial assessment of the desired product or service, the geographical location of the supplier and the value of the purchase. If one of these parameters is classified as critical, a potential business partner will be required to provide documentation for transparent corporate governance, adequate control of quality and business ethics, the health and safety as well as human and labor rights of the employees, and prevention of environmental pollution. The documentation will then be assessed by Lundbeck specialists. This process often leads to additional dialogue and if warranted site visit or audits will be conducted before contract negotiations are initiated.

Starting in 2011, Lundbeck suppliers and collaborators (see figure above) are contractually obligated to comply with the ten UN Global Compact principles on human rights, employee rights, environmental protection and anti-corruption are now been included in many Lundbeck's suppliers and collaborators contracts. The dialogue regarding incorporation of new contract clauses has started and will continue in 2012 for most of the existing contracts. The subset of suppliers and collaborators known as third party suppliers must also comply with the principles of Lundbeck's CoC. Third parties are external professionals or businesses carrying out assignments within Lundbeck's core business areas on our behalf or in our material interest. Such areas include research and development, production, distribution or marketing of Lundbeck's products as well as interaction with authorities and other stakeholders.

To maintain an open dialogue and transparency about this process with our suppliers, collaborators partners and other stakeholders "supplier information" will be available on the webpage will be updated during 2012.

Activities covering Human Rights principles

The UN Global Compact states: Businesses should support and respect the protection of internationally proclaimed human rights; and make sure that they are not complicit in human rights abuses

The relationship between the business community and human rights is becoming increasingly well-defined. In 2011, the UN Human Rights Council endorsed the "Protect, Respect and Remedy" framework with support from all major stakeholders. Lundbeck supports and respects the universally declared human rights; as an employer, by incorporation of human rights considerations in our global procurement process and by promoting Access to Health.

Knowledge promotes better access to health

Our efforts to improve access to health are not only aimed at making Lundbeck's products available to more patients in the countries where we operate. We are also working to improve access for people with brain disorders to diagnosis and correct treatment and to eliminate the stigmatisation that often leads to a marginalisation of this group of patients.

The development of our Access to Health Strategy is based on an ongoing communication with stakeholders to identify their needs and expectation to Lundbeck as a corporation. The themes Knowledge, Prevention & Treatment are guiding the dialogue. The strategy will be setting the stage for both well-known and new activities. The Lundbeck Institute is one of our recognised assets in this context. The objective of the Institute is to improve, through education and information, the treatment of people suffering from brain disorders. A total of 80 international specialists collaborate with the Institute, which held eight seminars in 2011 attended by a total of 179 doctors from 23 countries. In 2011, we have started to create an overview of activities which will lead to a strategy for the Lundbeck Group. Due to resource constraints we were unable to complete and publish our Corporate Access to Health Strategy in 2011. However, we aim to publish our Corporate Access to Health Strategy in 2012 and initiate the first project.

Misuse of Lundbeck product

Lundbeck is dedicated to improving the quality of life for people suffering from brain disorders. Therefore, it was very disturbing to us when we learned in 2011 that one of our products, Nembutal® (pentobarbital), was used off-label by US prisons to carry out capital punishment. Nembutal® was developed for the treatment of severe and life threatening epilepsy and was in 2011 marketed in the US by Lundbeck. Therefore, Lundbeck has strongly protested against this severe misuse, and after a thorough investigation, we established a new distribution system which ensures access to medication for only the patients in need according to the approved labelling, while restricting prisons' access to the drug. In December 2011, Lundbeck divested a portfolio of products in the US, including Nembutal®, as part of our long-term strategy. However, the terms of the transaction include continued enforcement of the restricted distribution programme for Nembutal®.

Supporting social enterprise

In 2011, Lundbeck engaged in a local partnership with the local social initiative "Bybi" (the city bees) in Copenhagen. Project Bybi is a non-profit organization with a mission to

create a better city for bees, flowers and opportunities for citizens with difficulties getting a job due to unfortunate conditions. The mission is fulfilled by collaborating with companies that are committed to supporting social responsibility projects and environment. The project enables set-up and maintenance of beehives within the Copenhagen city limits. The people caring for the bees are former residents of Sundholm, an activity centre for former homeless citizens. The donation from Lundbeck co-founded training of three assistant beekeepers. Set-up of bee community consisting of five hives and its 280,000 residents at the Lundbeck Headquarters grounds in Valby. The project fits well with Lundbeck's mission to improve the quality of life for people suffering from psychological disorders. At the same time the initiative has a positive impact on the environment, since the bees improve the pollination. Also, children from local child care centres have visited the bee hive location. Lundbeck will in 2012 continue the support to the urban bee project.



Activities covering Labour principles

The UN Global Compact states: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation

The main activities in 2011 covering the principles in UN Global Compact regarding Labour were integrated primarily in the Health, Safety & Environmental (HSE) Policy and in the Code of Conduct (CoC) implementation. All employees have received training in dilemmas regarding the Global Compact Labour principles (see p. 6). Furthermore, suppliers are evaluated with regards to labour principles as described on p. 7. The activities covering health and safety are covered in this section and the environmental activities are covered in the following chapter.

Our approach to Health, Safety & Environment (HSE)

The Lundbeck HSE council approved, on behalf of the Corporate Management Group, the HSE strategy in 2011. The strategy includes quantitative 2011 goals for the focus areas. The goals are revised every year and resulting from dialogue with the line of business organisation. (Click on this [link](#) to access more information).

The HSE management systems are certified according to ISO 14001 and OHSAS 18001 and cover all research, development and manufacturing sites. The strategy is implemented through integration of HSE risk assessments in projects and systems throughout the value chain and across Lundbeck.

Occupational health and safety

It is our ambition to remain a leading company within health and safety for our employees. Providing a safe working environment for all employees is important to us.

At Lundbeck, systematic HSE risk assessments are conducted in connection with planning of new facilities, buildings and processes. A risk assessment analyses was performed before the construction of a new distribution centre in Valby was initiated. This reduced heavy lifting and noisy traffic at the site. Best practices and lessons learned are shared with the rest of the organization. In 2011 a process ensuring that all new pharmaceuticals are tested for allergenic properties as part of the development process was implemented. This will enable the health and safety experts to advise more specifically on optimal workplace design and safe handling of substances.

During 2011 the number of lost time accident frequency was 4.97 per one million work hours. A 37% reduction was achieved compared to 2010. The development is shown in the figure below. The number of workdays lost per accident were 5.9 days compared to 9.3 days in average in the period 2006-2010. All work-related accidents are systematically reviewed and accident prevention best practices are shared across the organization in order to lower the accident frequency and severity of accidents.



The physiological and physical work conditions at Lundbeck are systematically assessed using work place assessment (WPA) and employee satisfaction surveys (ESS). The WPAs are conducted every second year in Denmark. The results from both the WPA and ESS serve as important input to the HSE strategy. Based on the results from the 2010 survey, several initiatives were launched to improve the psychological working environment, ergonomics and the indoor climate. The 2011 goal of 90% satisfaction score in the ESS was not achieved.

The 2012 EHS targets are listed in the table on p. 4 and more information is also available on <http://www.lundbeck.com>

Activities covering the Environmental principles

The UN Global Compact states: Businesses should support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies

Reducing the environmental impact is an important goal for the Health, Safety and Environment (HSE) strategy. On a global scale many activities are initiated, some of the results are described in this report. For example, more pharmaceutical products are now manufactured using less raw materials and energy; and generating less waste and emitting less CO₂ than before.

Reducing the carbon footprint

The Lundbeck long-term CO₂ strategy defined a goal of emitting 11,800 tons less CO₂ in 2016 compared to 2006. This represents an overall reduction of 25% compared to 2006. This goal was reached early in 2011 through a long-term, cross-organizational collaboration to reduce energy consumption and use of cleaner technologies. One of the projects completed in 2011 was the conversion of fuel source in the boiler plant at the Lumsås (DK) facility, where diesel fuel was exchanged with bio fuel. This single initiative reduced the annual CO₂ emissions with 50% for this boiler plant. The efforts to reduce CO₂ emissions will continue in the years ahead.

Waste reduction

Lundbeck had an ambition to lower the amount of waste generated with 5%, this was not achieved in 2011. A reduction of 3% compared to 2010 was reported. The development in results is shown below. In 2012 we are focusing on solvent reduction as described below.

Limiting solvent use

Purification and recycling of solvents is part of the Lundbeck environmental responsibility initiatives. In 2011, Lundbeck's chemical production in Lumsås, Denmark, further increased its focus on recycling solvents. A fractionating column was installed and we are now able to purify solvents to virgin quality. As a result, the post-purification solvents can be reused in all processes. So far, this process has successfully been adopted for the solvents toluene and acetonitrile; our plan is to use it for other solvents as well. The process offers both environmental and financial benefits. In environmental terms, purification leads to lower consumption of new solvents and lower volumes of chemical waste. Due to the simplicity of the recovery process there is also a substantial cost incentive to recycle solvents to virgin quality. In 2011, the new process enabled recovery of 150 m³ toluene. This adds to the existing process specific recovery of 500 m³ by simple distillation thus giving a total recovery of 52% of the total volume of toluene used at Chemical Production Site, Lumsås. The successful energy conserving principles from the Danish operations were in 2011 implemented in our facilities in the US, Italy and France, in order to achieve the best possible use of energy.



Although our pharmaceutical and chemical production volumes rose by 3% and 7% respectively from 2010 to 2011, consumption of raw materials and energy declined by 1% and 8% respectively. Waste volumes, declined by 3.0% during the same period. More waste is now being reused or recycled.

The 2012 EHS targets are listed in the table on p. 4 and more information is available on <http://www.lundbeck.com>

Activities covering the Anti-Corruption principle

The UN Global Compact states: Businesses should work against corruption in all its forms, including extortion and bribery

The key activities covering the principles in UN Global Compact regarding Anti-Corruption in 2011 were integrated in the Code of Conduct (CoC) implementation (see p. 6) and the supplier & collaborator standards activities (see p. 7).

Lundbeck has a zero tolerance regarding bribery including facilitation payments. This principle is also imposed on our third party suppliers and collaborators both in the evaluation and contracting phase. The compliance with the CoC principles is monitored in the Compliance Risk Map process and compliance reviews are coordinated in the Lundbeck Audit Coordination Group. These two processes were implemented in 2011. In the following some of the findings from the risk map process will be listed.

The compliance risk map process revealed the following top 3 risks:

- Off-label promotion
- Anti-bribery legislation
- Collaboration with partners

The risks are common to pharmaceutical companies. These risks were identified from the risk map process in which all key areas of the CoC are covered. An improved compliance reporting system was implemented across the Lundbeck Group as part of the risk map process. The risk map is a vital part of the CoC compliance reviews that is managed by the Lundbeck Audit Coordination Group (ACG). The ACG coordinates reviews that involve more than 40 different Lundbeck auditors from more than seven corporate audit functions. The compliance reviews of affiliates were initiated in 2011 and will continue in 2012. The systematic compliance reporting and update of risk map is conducted four times per year.

Methodology

Scoping our UN Global Compact report

Lundbeck signed the UN Global Compact in September 2009. By doing so we have committed ourselves to actively advance the ten principles for sustainable business development in the areas of human rights, labour, the environment and anti-corruption and publicly report on our progress. This is the third report to the UN Global Compact.

To be transparent we have chosen to display the following information about the methodology used for developing this report.

Report scope

This report describes our activities and progress in 2011 and covers all our sites including subsidiaries.

Data collection and quality

The HSE data for 2011 covers Lundbeck research, development and manufacturing sites. The data are assured by Deloitte. Our sales subsidiaries world-wide and the former Ovation Pharmaceutical and Lifehealth businesses are not covered by these data.

Stakeholder engagement

This report has been developed without direct engagement of external stakeholders.