

COMMUNICATION ON ENGAGEMENT

Lundbeckfonden (The Lundbeck Foundation)

Period covered by this Communication on Engagement

Lundbeckfonden joined the UN Global Compact in 2012. Since then a range of initiatives have been taken as part of the foundation's broader commitment to Corporate Social Responsibility and Sustainable Development. Since this is the first CoE, it will contain a description of the CSR initiatives taken since 2012 and a more forward-looking statement for the next two years which will be measured and reported back on in the CoE of 2018 or earlier.

Part 1

Statement of Continued Support by Lundbeckfonden's Chief Executive Officer, Ms. Lene Skole.

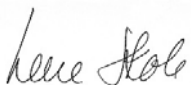
1 September, 2016

To our stakeholders:

I am pleased to confirm that Lundbeckfonden affirms its support to the United Nations Global Compact and its Ten Principles in the areas of Human Rights, Labour, Environment and Anti-Corruption. This is our Communication on Engagement with the United Nations Global Compact. We welcome feedback on its contents.

In this Communication on Engagement, we describe the actions that our organization has taken to support the UN Global Compact and its Principles as suggested for an organization like ours. We also commit to sharing this information with our stakeholders using our primary channels of communication.

Sincerely yours,



Lene Skole
Chief Executive Officer

Part 2

Our commitment to Corporate Social Responsibility

Lundbeckfonden is one of the largest, commercial foundations in Denmark with a market value of more than DKK 50 billion. In addition to the three subsidiaries, Lundbeck, Falck and ALK-Abelló, the foundation owns a portfolio of securities of approx. DKK 14 billion and manages a portfolio of more than 20 life science investments in Europe and the US.

Dividends from Lundbeckfonden's three subsidiaries and returns on the foundation's other investments help ensure annual donations to society of approx. DKK 500 million in support of a broad spectrum of projects relating to biomedical research of the highest, international quality and science communication. Recipients range from school children and science teachers to medical students, young scientists, PhD fellows and post docs. Some of the grants also go towards establishing large research centers or teams. However, they all have one thing in common: they help fulfill the foundation's vision to create better lives through new knowledge.

Commercial foundations play an important role in the Danish society. With substantial contributions to Danish research and ownership of some of the largest Danish corporations, commercial foundations have considerable influence on the social and economic development in Denmark. In our view, such influence comes with a high level of responsibility: to ensure transparent operations and to conduct our business with integrity.

At Lundbeckfonden, we set high standards for good governance. We fully support the Danish Industrial Foundations Act, effective as of 1 January 2015, as well as the issued recommendation on corporate governance for commercial foundations. We already meet all of the recommendations and aim to follow the best practice recommendations – except for one where we have set the bar even higher.

Lundbeckfonden is the first and only private foundation in Denmark to have signed up to the UN Global Compact Act, whose 10 principles set out the general framework for our approach to corporate social responsibility. These principles guide our policies, corporate strategies and guidelines for:

- corporate governance
- grant-making activities
- ownership of Lundbeck, ALK and Falck
- portfolio investments and other investments

We oppose any form of corruption, including extortion and bribery. Furthermore, we follow the UN guidelines laid down for labour and environmental principles, human rights and sustainable development.

Lundbeckfonden's values and policies are shared across the entire Lundbeckfonden Group. The specific CSR policies and codes of conduct for the subsidiaries are laid down by their respective Boards of Directors, in which the Foundation is represented. Our representatives make sure that

policies for CSR, including human rights and impact on climate, are enforced. Values and policies are adapted to meet the circumstances in which each of the subsidiaries operates.

Regarding our Corporate Governance:

- We follow all the recommendations for good foundation governance
- We have developed and made publicly available tax policy based on the fact that the foundation is a responsible tax payer. We work to minimize tax risks and to be transparent in our policy on tax. In 2014, we adopted a new tax policy based on four basic principles:
 - We always comply with tax legislation
 - 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
- As an open and transparent organization, we have developed and implemented a Whistleblower policy and solution. Our whistleblowing scheme provides our employees, employees in our subsidiaries and people related to the Foundation with the option of confidentially reporting wrongdoing. The whistleblowing reporting function is accessed via the Foundation's website.
- We have implemented policies for gender equality and diversity. Lundbeckfonden supports gender equality and diversity and aims to have both genders represented on the Board of the foundation and the Boards of its subsidiaries. Our ambition set in 2012 to have at least two members of each gender represented on these Boards, was reached several years ago and today 5 out of 8 members on the management team are women.

Regarding our grants activities:

- The Board of Trustees developed and adopted Lundbeckfonden's Code of Good Research Practice in 2014. This document supports basic principles of good research, i.e. honesty, transparency and accountability. All grant holders must sign this document before any research funds can be disbursed. By doing so, they declare that they will comply with these codes at all times. The Lundbeck Foundation's Code of Good Research Practice also refers to the new national Code of Conduct for Research Integrity of 2014 by the Danish Ministry of Higher Education and Science.
- We follow the recipients closely by collecting status reports and meetings
- We seek to ensure consistent and equal assessment of all applications. Consequently, we aim to have all applications peer reviewed by a group of experts, of which the majority are independent of the Foundation. For the assessment of regular project applications, we

have set up two permanent evaluation committees with a majority of external and international experts. For the assessment of larger personal and strategic applications, we set up ad hoc evaluation panels with international experts.

- We have a code of conduct in place regarding grants, and rules governing the access of board members, employees and third parties to Foundation grants. Members of the Board of Trustees may not receive grants from the Foundation.

Regarding our investments:

Our investment policy states that the Foundation is not allowed to make investments in enterprises presumed to act unethically.

Nor are we allowed to invest in companies presumed to violate any of the 10 principles set out in the UN Global Compact.

We regularly review our investment portfolios to make sure that major investments comply with the policy.

Part 3

The coming two years

For the upcoming period (2016-2018) we have three key goals for our commitment to the UN Global Compact Act:

- We will strive to make all of our three subsidiaries sign up to UN Global Compact. Our largest subsidiary – Lundbeck – of which we own 70 per cent of the shares, is already a member. However, the other two subsidiaries, ALK-Abello and Falck, have so far chosen to comply with the principles although not having formally signed up to the Act.
- Regarding our financial investments, we will implement Principles for Responsible Investments and sign up with a third party ESG-auditor preferably endorsed by UNGC.
- Furthermore, we aim to turn our headquarters in Copenhagen into a low-emission building. In collaboration with an engineering consultancy we will analyze the various possibilities and solutions.