

# COMMUNICATION ON ENGAGEMENT

Lundbeck Foundation (Lundbeckfonden)

## Period covered by this Communication on Engagement

From: September 2016    To: November 2018

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

30 November 2018

To our stakeholders:

I am pleased to confirm that 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 second 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, Lundbeck Foundation

## Part II. Description of Actions

Lundbeck Foundation is one of Denmark's largest industrial foundations with a total value of more than DKK 60 billion. It remains the only private foundation in Denmark to have signed up to the UN Global Compact, whose ten principles underpin the Foundation's overall approach to corporate social responsibility.

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 14 billion, and a portfolio of more than 25 life science investments in Europe and the USA.

The Foundation's strategic investments – the three subsidiaries – play a significant role in society by employing more than 30,000 staff, around half of which are based in Denmark.

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 biomedical research with a specific focus on 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 an industrial 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 –

*In the way the Foundation conducts itself with regard to governance, transparency, taxation, and diversity:*

### Governance

Before signing up to the UN Global Compact in 2012, Lundbeck Foundation already set high standards for good governance, fully complying with the Danish Industrial Foundations Act, and its recommended standards on corporate governance, as well as meeting or exceeding all of its best practice recommendations.

### Transparency

To ensure transparency, the foundation has an established whistleblower scheme which provides employees throughout the group and people related to the Foundation with a confidential way to report any suspected wrongdoing.

In 2018, the Kraft & Partners report 'The Danish Foundation Analysis 2018', named Lundbeck Foundation as the most transparent foundation for the third consecutive year, and the only foundation to fulfil all of the report's 38 transparency criteria.

### Taxation

The Foundation remains the only industrial foundation in Denmark to have a publicly available tax policy which also covers its subsidiaries. The policy is 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

### Diversity and gender policies

Lundbeck Foundation supports gender equality and diversity and aims for gender balance on the boards of the Foundation and its three subsidiaries. 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.

In 2018, the Foundation produced a report 'Gender Distribution in Grants and Prizes Awarded by the Lundbeck Foundation from 2011 to 2017'. The results showed that 44% (5,728) of applicants and 43% (1225) of recipients were women, and that men applied for more funding and were awarded more grant money than women in the period reviewed.

Similar challenges on gender balance are seen for other foundations and research councils both inside and outside Denmark, and the results highlighted the need for a diversity policy that would address gender equality in research. Following extensive consultation with the four major universities in Denmark, such a policy is now under review by the board and is expected to be introduced in 2019.

*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. However, an overriding principle for the foundation is that it should never invest in enterprises that act unethically or violate any of the ten principles in the UN Global Compact. All investments are therefore assessed and reviewed regularly to make sure that they comply with these principles. Where two potential investments offer similar risk/return profiles, the option with the best ethical profile will always be favoured.

*In the influence the Foundation has over 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.

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

Since the Foundation's last Communication on Engagement, in September 2016, the following progress has been made on the three key goals that were outlined in that report.

*Goal No. 1: "We will strive to make all of our three subsidiaries sign up to UN Global Compact. Our largest subsidiary – Lundbeck – of which we own 69 per cent of the shares, is already a member. However, the other two subsidiaries, ALK-Abellø and Falck, have so far chosen to comply with the principles although not having formally signed up to the Act."*

Progress: In the intervening period, both Falck and ALK-Abellø have seen a change in leadership and the introduction of turn-around strategies. As a result, the primary focus within both organisations has been on defining, implementing and communicating their new strategic plans to stakeholders. Nevertheless, the management team at Falck has given a commitment that it will sign up to the UN Global Compact in early 2019, while ALK-Abellø remains committed to complying with its principles but has yet to formally sign up. Meanwhile, the Foundation continues to encourage ALK's management to do so.

Lundbeck has been a signatory to the UN Global Compact since 2009 and its Communication on Progress (CoP) can be found elsewhere on the UN Global Compact website and on [www.lundbeck.com](http://www.lundbeck.com).

*Goal No. 2: "Regarding our financial investments, we will implement Principles for Responsible Investments and sign up with a third party ESG-auditor preferably endorsed by UNGC."*

The first filter for the Foundation's investment practices are its values and policies. Put simply, the Foundation's staff understand the principles that are at the heart of Lundbeck Foundation and these serve as a first line of defence against investments which are unethical, or which do not comply with the Global Compact's ten principles.

In addition, the Foundation has engaged the services of leading environmental, social and governance (ESG) consultancy, Sustainalytics, to screen current and potential investments and to provide twice-yearly reports. This expert analysis is used to identify any concerns and, subsequently, to inform the internal decision process on what action should be taken. For existing investments, this could mean seeking further information from the asset in question, seeking to influence its management, or divesting the asset entirely.

*Goal No. 3: "We aim to turn our headquarters in Copenhagen into a low-emission building. In collaboration with an engineering consultancy we will analyse the various possibilities and solutions."*

While the policies of its subsidiaries will always have the greatest influence on the Foundation's environmental credentials, it remains symbolically important for Lundbeck Foundation to set positive examples wherever possible.

The recent upgrading of the foundation's headquarters building in Copenhagen provided an opportunity to showcase this commitment to environmental efficiency by incorporating heat-reflective glass throughout to minimise the need for cooling, and roof-based solar panels to minimise the use of electricity from the grid. As a further commitment to leading by example, in 2018 the Foundation installed two dedicated charging stations for electric vehicles, making it easier for employees to shift from petrol or diesel vehicles to more environmentally friendly alternatives.

Other initiatives:

#### 4) Investments in forestry

In early 2018, Lundbeck Foundation made a DKK 100 million investment in forestry, comprising two separate projects in Scotland – one to establish a new commercial forest, another taking over an existing managed forest. As previously stated, the primary determinants of such investment decisions are whether their risk/benefit profile is attractive and whether the investment is likely to help the foundation further its aim of supporting biomedical research. Once met, a further ESG filter is applied. These investments, with their clear environmental and sustainability benefits, meet each of these criteria well. The investments are managed on the Foundation's behalf by an expert partner and are operated according to UN Global Compact principles.

#### 5) Microfinance initiative

One of the greatest barriers to innovation and growth, particularly in the developing world, can be gaining access to start-up funding. To address this challenge, the Lundbeck Foundation is working with a private equity partner to invest in regional microfinance institutions in Latin America, India and China. These regions offer similar profiles in that they are growth markets that are relatively financially stable, and have a steady stream of innovative ideas seeking support. Here, microfinance can often help where larger, more established institutions cannot. At a macro level, this provides innovators with the opportunity to develop their concepts and build their activities, while offering the foundation the opportunity to invest on terms that meet its risk-benefit requirements.

#### 6) UN Global Compact Network Denmark

In October 2017, the Foundation became a founding member of the new UN Global Compact Network Denmark, which was established following a conference at the Danish Confederation of Industries, for Danish signatories to the UNGC.

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

For the coming two years – 2018-2020 – 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.

Moreover, 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 UN Sustainable Development Goals

The 17 UN Sustainable Development Goals for people, planet and prosperity set the world on a course for a more sustainable future by 2030. These goals are for everyone, not just the United Nations, heads of governments and the states they represent, but also private organisations, companies and civil society. 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.

While there is an obvious and immediate connection to the goals that are connected to science and education, the Foundation will also look to expand its focus to include goals related to commercial activities and partnerships.

In June 2019, at Denmark's annual political festival 'Folkemødet', the Foundation's content will address the SDGs formally for the first time and will provide a starting point for a more visible range of SDG-related activities.