

UN Global Compact 2019 Communication on Progress report



“I felt like Sleeping Beauty but there was no prince to rescue me. I would walk around crying on the inside because I could not be there for my husband and children.”



Melanie Baybut

South Africa

Melanie is 51 and resides in South Africa's Western Cape where she lives with her husband and two children.

Previously, Melanie was physically so tired that she would get up for work just so that she could come back home and sleep again. The condition greatly affected her personal life leaving her in a near constant state of feeling sad and out of control of her body.

About a week after receiving a diagnosis of Chronic Fatigue Syndrome, her house doctor recommended antidepressants and Melanie is now back to a full, active life.

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Independent Auditor's Assurance Report

REPORT SCOPE AND METHODOLOGY

Lundbeck's strategy and the UN Global Compact principles set out the framework for our business conduct. We have assessed that Lundbeck directly supports six of the UN Sustainable Development Goals and several of the underlying targets. This report represents Lundbeck's 11th annual Communication on Progress to the UN Global Compact and our non-financial report on sustainability according to the Danish Financial Statements Act.

The report describes Lundbeck's global activities and progress in 2019 (1 January to 31 December), and contains descriptions of planned activities and targets for 2020. The report has been developed without direct engagement of external stakeholders.

The scope of the report comprises our corporate headquarters in Denmark and global affiliates. The Health, Safety & Environment (HSE) data only covers our headquarters and larger affiliates with research, development and manufacturing activities. A detailed HSE reporting practice is available at <https://lundbeck.com/global/sustainability/environment/reporting>.

The key performance indicators for 2019 presented on page 18 and the proportion of the underrepresented gender at the other managerial levels presented on page 10 have been assessed by Deloitte in accordance with the ISAE 3000 standard to obtain limited assurance. The assurance statement is found on page 20.

Executive statement

The past year has brought many exciting developments of Lundbeck's sustainability strategy. Our commitment to the UN Global Compact is firm and this year's communication on progress reflects our increasing level of ambition across the ten principles.

I am pleased to express our continued support to the UN Global Compact that Lundbeck became a signatory to in September 2009. We recognise our corporate responsibility to respect human and labour rights, to commit to environmental protection and to work against corrupt behaviour.

We have updated our sustainability strategy following a careful assessment of our current initiatives against external reference points including the Sustainable Development Goals. As a result, we are taking new initiatives to pursue our targets for 2020 and long-term aspirations for 2030. We are determined to integrate sustainability as a strategic imperative.

This is expressed in the acceleration of our climate strategy. We have joined the "Business Ambition for 1.5°C" initiative of leading companies who are aligning their business actions with the most ambitious aim of the Paris Agreement. We are acting fast to transition our electricity supply to renewable sources and will engage with our largest suppliers to ensure we share climate ambitions.

Another example is our decision to establish an Access to Brain Health Strategy supporting our four aspirations for 2030 referencing the World Health Organization's right to health principles. We are acting through partnerships to enable change and making the needed improvements.

“We are determined to integrate sustainability as a strategic imperative.”

Not everything has gone our way in 2019. We did not meet three of our nine sustainability targets for 2019. While we are relieved that this did not lead to any serious consequences, our ambition is to keep improving. Our target for solvent recovery is lower than previous years, since we have extended the target to include all chemical production sites.

I hope you will enjoy reading more about these and other initiatives in the report.



Deborah Dunsire
President and CEO of Lundbeck

Our business model and sustainability strategy

According to the World Health Organization more than 700 million people live with psychiatric and neurological disorders globally.

Psychiatric and neurological disorders are serious and life-threatening diseases that affect the quality of life of the patients as well as of their relatives. As these diseases also involve major socio-economic costs, it is imperative for the general society that new and innovative pharmaceuticals are developed. Over the past 50 years, new pharmaceuticals have revolutionised the treatment options, but a large unmet need for new and innovative therapeutics remains.

Despite the challenges associated with understanding the biology and science of brain science, Lundbeck remains committed to deliver the innovation that patients need. We work

tirelessly to advance neuroscience, develop new and innovative treatments and support patient communities. Everything we do serve our overall purpose of restoring brain health and transforming the lives of the millions of people living with brain diseases.

Our focus on R&D is the most important pillar in Lundbeck's ambition to improve treatment of brain diseases. We are specialists in our area and have approx. 900 employees working within R&D. We cooperate closely with strategic partners all over the world, ensuring the best possible foundation for innovation and the development of new treatment solutions.

We have production facilities in Denmark, France and Italy and our research centres are based in Denmark and the United States. We have employees in more than 50 countries and our products for the treatment of brain diseases are registered in more than 100 countries. We employ approx. 5,500 people worldwide. You can read more about our business activities in Lundbeck's Annual Report 2019 and on www.lundbeck.com.

Tirelessly dedicated to restoring brain health, so every person can be their best

<p>PARTNERING FOR IMPACT</p>	<p>DEDICATED TO RESTORING BRAIN HEALTH</p>	<p>3 GOOD HEALTH AND WELL-BEING</p> 	<p>PURSUING A ZERO EMISSIONS FUTURE</p>	<p>13 CLIMATE ACTION</p> 	
<p>17 PARTNERSHIPS FOR THE GOALS</p> 	<p>USING OUR INFLUENCE TO PROMOTE CHANGE</p>	<p>5 GENDER EQUALITY</p> 	<p>8 DECENT WORK AND ECONOMIC GROWTH</p> 	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> 

“The sustainability strategy aims to ensure that our business activities are conducted in a way that supports the UN Global Compact Principles and the SDGs and mitigate significant risks and adverse impacts.”

Sustainability strategy

Executive Management has reviewed Lundbeck's sustainability strategy, aspirations and short-term actions. The review was based on a thorough analysis of Lundbeck's impact on the Sustainable Development Goals (SDGs). Our sustainability actions are integrated into Lundbeck's strategy that has significant impact on six of the 17 Goals. In addition, we are seeking partnerships with others to enable change and maximize impact across our sustainability efforts.

Goal 3 Good Health and Well-being is closely linked to our corporate purpose and dedication to restore brain health, so every person can be their best. Goal 13 Climate Action will drive our efforts to prepare for a zero emissions future. We will use our influence and act to promote Goals 5, 8, 12 and 16.

The sustainability strategy aims to ensure that our business activities are conducted in a way that supports the UN Global Compact Principles and the SDGs and mitigate significant risks and adverse impacts.

Our Code of Conduct compliance structure is pivotal in ensuring that relevant risks are identified, that procedures to manage them are established, understood and being followed,

and that monitoring is used to ensure the needed improvements are made. Similarly, our HSE policy and management system set clear priorities and deliver continuous improvements within Health, Safety & Environment.

Collectively, these governance structures aim to:

- Maintain ethical conduct, free from conflict of interests and corruption in any form
- Uphold legitimate and transparent interactions with healthcare professionals without any inducement to prescribe our medicine
- Respect human and labour rights, minimise environmental impact and prevent corruption in our interactions with suppliers and third parties
- Provide decent, safe and healthy working conditions to our employees globally
- Optimise our use of resources and minimise adverse impacts on the environment

Every year, Executive Management evaluates our sustainability performance and establishes targets for the coming year to contribute to solving societal challenges where we can and to enhance our risk mitigation. The result of the evaluation and the new targets are shown in the following table.

SDG		Sustainability targets 2019	Sustainability targets 2020
	Good health and well-being Read more on page 8-9	Conduct actions to support SDG 3 and engage our global affiliates in suicide prevention at the World Mental Health Day (●)	Engage all Lundbeck offices in local World Mental Health Day activities Establish a product donation partnership
	Gender equality Read more on page 10		Strive to maintain an overall equal gender split for people managers globally
	Decent work and economic growth Read more on page 11-13	Implement the updated global due diligence and monitoring process for suppliers and third parties in scope (●) Lost time accident frequency ≤ 5 (○) Occupational diseases < 2 (○)	Reduce lost time accident frequency ≤ 5
	Responsible consumption and production Read more on page 14	Recycling of 75% of the 10 most used solvents (○)	Recycle 55% of the solvents used in chemical production Zero environmental incidents
	Climate action Read more on page 15	Reduce CO ₂ emission by 3% in 2019 compared to 2018 (●) Zero environmental incidents with an impact on the environment (●)	Reduce CO ₂ emission by 4% in 2020 compared to 2019 Obtain 'Science Based Targets initiative (SBTi)' approval of new climate target
	Peace, justice and strong institutions Read more on page 17	Implement the updated Code of Conduct and provide training for all employees globally (●) Update global procedures for responsible and transparent interactions with Healthcare Professionals and patients (●)	Annual Code of Conduct training completed by all employees at work globally Work to increase proportion of healthcare professionals supporting disclosure of collaborations compared to the previous reporting year

● Achieved ○ Not achieved

An overview of key indicators for Lundbeck's sustainability performance is provided on page 18.

Access to brain health

We are dedicated to improving access to brain health in accordance with the World Health Organization's right to health principles. We advance our research to make innovative medicines available and address barriers to accessibility. We act to increase acceptability of brain diseases and safeguard the quality of our medicines.

Building on more than 70 years' experience in the research, development and manufacture of medicines for treatment of brain diseases, Lundbeck is consolidating its corporate actions into an Access to Brain Health Strategy. This reflects WHO's right to health principles: Availability, Accessibility, Acceptability and Good Quality.

We have defined our aspirations within each of these principles. We will build on our current actions with new initiatives over the coming years:

- **Availability:** We leverage our specialist knowledge to address the burden of brain diseases and continue to make medicines available.
- **Accessibility:** We promote the accessibility of our medicines by addressing discriminatory, physical, economical, and informational barriers.
- **Acceptability:** We improve mental health parity, reduce stigma, support national suicide prevention efforts, and enhance cultural acceptability of brain diseases.
- **Good Quality:** We provide high-quality medicinal products, safeguard patient safety and combat counterfeit medicine.

Lundbeck has ongoing actions within the four principles and these will be supplemented with new initiatives in the coming years. Some of these will be taken in partnerships to enable and accelerate the needed improvements.

Suicide prevention

The Sustainable Development Goal 3, Good Health and Well-being has defined a target for 2030 to "reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being". One of the indicators for Goal 3 monitor suicide mortality rates. We share the societal concern that suicide is the second leading cause of death among young adults between the ages of 15 and 29, and that mental illness too often leads to suicide. Our actions in 2019 underpin our aspiration to contribute more within suicide prevention.

To drive Lundbeck's global engagement and educational efforts on suicide prevention, we published 'Mental Health and Suicide Prevention – Lundbeck's Recommendations and Commitments' in June 2019. The booklet was drafted in consultation with experts in the field and it aims to raise awareness and support education in suicide prevention. We are using the booklet to promote the dialogue with stakeholders on this devastating societal issue and encourage readers to access it on our Corporate website.

Partnerships for mental health

As part of our commitment and involvement in mental health, Lundbeck have established partnerships with advocacy

groups, including the International Association for Suicide Prevention and the World Federation for Mental Health, GAMIAN-Europe and EUFAMI. Our partnership with the International Association for Early Interventions on Mental Health aims to promote the #ChatSafe Guidelines for online communication about suicide prevention.

World Mental Health Day 2019

Lundbeck was proud to partner with the World Federation for Mental Health to support the World Mental Health Day (WMHD) once again. On 10 October 2019, everyone working to promote the mental health agenda focused their attention on suicide prevention. In 58 countries, Lundbeck's employees and business partners engaged in national WMHD activities. Some were directed at policymakers and healthcare professionals, while other activities targeted advocacy groups, media and the public. The activities put the iconic green WMHD ribbon on show in educational workshops, meetings, videos and social media campaigns. In 2020, we will be partnering with World Federation for Mental Health to support the World Mental

Health Day. We aim to engage all Lundbeck offices in local WMHD activities on 10 October 2020 that has the common theme "Mental Health for All – Greater Investments – Greater Access".

Establishing donation partnership

Providing donations and grants is one way of confirming our responsibility towards society and helping people living with brain disease to access health provision. We have established a process for assessing requests for donations or grants that are designed to ensure we can provide these types of contributions without obtaining any benefits in return.

Contributions we consider include financial or in-kind donations, medical educational grants, compounds for research purposes or Lundbeck medicinal products for specific needs. During 2020, we plan to finalise a partnership to manage product donations in low income countries that can be used when there is an expressed need that cannot be fulfilled otherwise.

SDG targets



3.4 | 3.9 | 3.b | 3.c

Aspiration for 2030

- Leverage our specialist knowledge to address the burden of brain diseases and continue to make medicine available
- Promote accessibility of our medicines by addressing discriminatory, physical, economical and informational barriers
- Improve mental health parity, reduce stigma, support national suicide prevention efforts and enhance cultural acceptability of brain diseases
- Provide high-quality medicinal products, safeguard patient safety and combat counterfeit medicine

2020 targets

- Engage all Lundbeck offices in local World Mental Health Day activities
- Establish a product donation partnership

Diversity and inclusion

We are a diverse company determined to build an inclusive high-performance culture that allows all employees to enrich their professional skills and career without discrimination. We believe this is the best way to ensure creativity, innovation, progress and mutual enrichment.

The variety in our employees' ideas, perspectives and experiences is a valued and necessary part of Lundbeck's competitive advantage. Diversity and inclusion are contained in our Code of Conduct along with a commitment to avoid discrimination. We are committed to creating an inclusive workplace for diverse employees across multiple parameters, including gender. We continuously offer equal opportunities for men and women across the organization in accordance with our employee policies and guidelines. In 2019, our Board of Directors approved our revised corporate policy on diversity and inclusion.

Implementing the revised policy as key element in our efforts to support Sustainable Development Goal 5, Gender Equality.

Making revised policy come alive

The objective of the revised policy is to enhance focus on diversity and inclusion by providing a foundation for discussions on these topics among employees and management in the over 50 countries where we operate. To ensure this happens in an engaging way, we are establishing a Diversity and Inclusion Forum with approx. 25 representatives from all regions and our headquarters.

During 2020, the members of the forum will gather knowledge about opportunities and challenges within diversity and inclusion. They will conduct interviews to identify ideas and develop local and global initiatives to ensure implementation of the policy. The efforts will be supported by an internal communication and

awareness campaign. The findings and recommendations will continuously be discussed with our Executive Vice President of People and Communication to ensure support from Executive Management.

The Diversity and Inclusion Policy explicitly commits to building an inclusive culture in Lundbeck for people living with brain diseases. We are confident that this perspective will help us deliver on our corporate strategy.

Maintaining gender equality

In accordance with Danish legislation, we have for some years been measuring the gender distribution in managerial positions. The measurement includes all managers globally who have people management responsibilities. Until now, the aim has been to ensure that the proportion of the underrepresented gender is at least 40% globally. The proportion of female managers was 44% in 2019. One of the tasks for the Diversity and Inclusion Forum will be to explore how this distribution can become more equal. We have established a target to maintain an overall equal gender split for people managers globally to drive the development.

According to our target regarding diversity at Board of Directors level, at least one of the members elected by the shareholders should be of the underrepresented gender. In 2019, we had one female board member out of six members elected by the shareholders and one female board member out of three members elected by Lundbeck's employees.

SDG targets



5.1 | 5.5

Aspiration for 2030

- Recognised by employees and externally as a workplace with an inclusive culture that offers equal opportunities for all
- Influence the public debate on equality and inclusion by setting ambitious targets, enhancing data transparency and communicating actively

2020 targets

- Strive to maintain an overall equal gender split for people managers globally

Good business partner

We engage suppliers and third parties when providing innovative treatments to patients. To ensure that these collaborations add value to local economies with the most positive outcomes, we apply systematic and risk-based procedures to respect human and labour rights, ensure environmental protection and prevent corruption.

For decades, we have used quality processes to ensure the regulatory compliance of our suppliers and third parties within research, development and manufacturing. In 2005, we extended our assessment of contract manufacturers to include human and labour rights, health and safety and environmental obligations. Since establishing our Code of Conduct in 2010, these procedures have evolved into a pivotal element within our compliance and sustainability framework.

Enhanced process implemented

By the end of 2018, we consolidated years of experience and ideas for enhancements into a simplified global due diligence and monitoring procedure. In 2019, we implemented this procedure through a series of instructor led training sessions for global affiliates and headquarters.

Today, we have systematic due diligence and monitoring procedures for business collaborations, aimed at identifying and mitigating specific risks:

- Conflicts of interest
- Financial crime (including bribery, tax evasion and violations of trade sanctions)
- Promotional misconduct
- Human and labour rights violations
- Significant environmental impact

These procedures are particularly important for collaborations involving chemical manufacturing, customs clearance, price negotiations, obtaining product marketing authorizations, organizing promotional or educational events and selling products.

Besides protecting Lundbeck, the procedures are essential to fulfilling our commitment to UN

Global Compact Principles and OECD Guidelines on Multinational Enterprises. They also support Sustainable Development Goal 8, Decent Work and Economic Growth.

Maintaining global obligations

Across our global organization, our senior management follows consistent procedures to identify and mitigate specified risks before any contractual commitments are made. The operational process is supported by agreement templates containing relevant requirements and access to guidelines, training and expert advice.

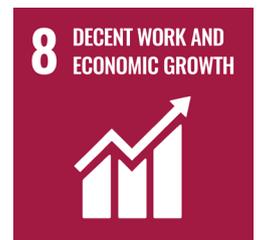
Our experts use professional databases and public sources to perform an objective and documented assessment of relevant risks and topics. Before engaging in sensitive collaborations such as chemical manufacturing, we conduct onsite visits and compliance audits.

Partnering to minimize CO₂ emissions

Continuous dialogue with our suppliers and third parties is essential to maintaining trust and good collaboration. In the coming years, we will expand on this dialogue to include climate change with the suppliers and third parties who have the highest CO₂ emission. We will be using our CO₂ emission inventory to prioritise and define our approach.

It is our ambition to obtain 'Science Based Targets initiative (SBTi)' approval of our new climate target in 2020. This means that, within a defined timeframe, we need to reach an agreement on addressing climate change with the suppliers and third parties who collectively represent two-thirds of the CO₂ emissions from our value chain. The planning of this greatly challenging task has started.

SDG targets



8.5 | 8.8

Aspiration for 2030

- Assessment of key business partners strengthens the collaboration, promotes business ethics and conditions respecting human rights and labour rights
- Commitment to minimise key business partners' CO₂ emissions reflected in relevant agreements

Health and safety at work

We offer our employees a sound physical and mental work environment. Staying healthy and safe at work is a fundamental right. We take systematic and preventive actions to continuously improve working conditions, with regular assessments, collaboration and expert advice.

Lundbeck employs approx. 5,500 people worldwide and we promise every one of them healthy and safe working conditions. Managers and employees collaborate to create the best working conditions, with support from internal specialists. Lundbeck's Health, Safety & Environment (HSE) Policy sets out a common framework for ensuring sound physical and mental work conditions globally.

These actions underpin our commitment to the UN Global Compact and show our contribution to Sustainable Development Goal 8, Decent Work and Economic Growth.

Identifying risks and hazards

We systematically assess the hazards that could arise in a working situation and perform risk assessments before making any physical or organizational changes. We also provide training and advice to managers and employees to help them enhance their physical and mental work environment. We include indicators for the physical and mental work environment in our anonymous annual employee satisfaction survey. We take corrective and preventive actions through workshop discussions and follow-up meetings.

Our dedication to brain health extends to our own working environment. We prioritize a healthy work-life balance and encourage continuous dialogue between employees and managers to prevent work-related stress.

The physical work environment varies with job functions. While car safety is important in the sales organization, industrial

hygiene programmes are vital to eliminate or minimize the risk of injury or illness in our laboratories and manufacturing.

From OHSAS 18001 to ISO 45001

We are certified to the OHSAS 18001 Health and Safety Management System at our corporate headquarter and within our larger research, development and manufacturing facilities. Through this we set defined annual targets and deliver prioritized and continuous improvements. Through systematic root cause analysis, we minimize work-related accidents, and conduct internal audits to monitor system performance and identify improvement areas. Senior management reviews system performance annually.

In 2020, we will be ready to replace the current OHSAS 18001 certification with the new ISO 45001 standard.

Commitment to improve

Our systematic approach to risk assessment has kept the number of work-related diseases very low in recent years. Two wrist attritions caused by manual handling were the only recognized occupational diseases in 2019.

Several preventive efforts have reduced the overall accident frequency to 6.2 work-related accidents per 1,000,000 working hours in 2019 from 7.5 in 2018. Chemical Production in Denmark performed an analysis of operating procedures, conducted surveys and workshops to assess the safety culture. Prioritized action plans with enhanced communica-

tion and follow-up led to 27% fewer accidents in 2019. Our pharmaceutical production in France improved the safety culture and reduced their accident rate slightly by conducting systematic audits and training of managers in safety issues.

We experienced an increase in work-related accidents with low severity at our corporate headquarters in Denmark. This explains why we did not reach our target of having maximum 5 work-related accidents per 1,000,000 working hours. We are determined to achieve this target in 2020 and avoid occupational diseases by maintaining our systematic and preventive efforts.

Award-winning initiative

Heavy lifting and inappropriate working posture are potential risks in the Solid Bulk Production. To reduce the risks and limit the number of lifts for the operator, the local HSE group and management initiated a mapping of work processes, re-arranged vacuum lifts and automated the washing processes. Adjusting the working postures and retraining operators in lifting techniques contributed to significantly improving the working situation for the operators. Solid Bulk Production was awarded the best Lundbeck Health & Safety Initiative 2019 for taking this initiative.

Substituting harmful substances

The first HSE risk assessments are performed when our researchers have identified a new

molecule that potentially could be developed into a medical treatment. The further development of the chemical synthesis and hazard analysis is a collaboration between our chemists and HSE specialists. Wherever possible undesirable substances, for instance toxic or carcinogenic substances, are substituted with less dangerous alternatives.

We have since 2014 been modifying work processes in chemical production in Denmark and Italy to meet the requirements for Strictly Controlled Conditions (SCC) with closed or contained processes. These conditions provide our employees with an even higher health and safety standard and protects the surrounding environment. The SCC-status provides many other advantages, including greater flexibility due to safe handling of more potent substances, faster registration process and higher predictability of substance supply.

Engaging health initiatives

At our headquarters in Denmark, we assessed the effect of the current health initiatives in 2019. This showed an opportunity for increasing awareness of existing initiatives and information about preventing and handling illness. We initiated a seasonal awareness campaign that resulted in broader engagement, higher participation rates and more social interaction across functions. The number of participants in the Danish initiatives DHL Run and Bike to Work increased 20% and 36% compared to last year. The awareness campaign will continue in 2020.

SDG targets



8.5 | 8.8

Aspiration for 2030

- Recognised as a workplace that fosters physical and mental well-being
- Showing leadership to promote mental health with preventive actions at our workplaces globally

2020 targets

- Reduce lost time accident frequency ≤ 5

Materials use and waste

As a research-based company we develop most of our manufacturing processes. This offers opportunities to minimise materials use, replace unwanted substances and increase recycling. We rely on suppliers to deliver materials and handle waste. Environmental impacts from the end-use of our medicines are assessed and managed.

Lundbeck's research, development and manufacturing activities are mostly based on chemical synthesis. Consequently, we use considerable amounts of organic solvents, energy and generate waste and emissions to the air. We manage our environmental impacts through an integrated approach to Health, Safety & Environment (HSE). The overall priorities are defined annually in our HSE Strategy and transformed into actions and measurable targets that are managed through our HSE management system.

Enhancing production processes

We partner with universities to develop and introduce new working methods, for instance continuous processing. Here the product is produced in continuous flow in significantly smaller equipment than used in traditional batch processes where large reactors are filled, emptied and cleaned between each process step. This offers great benefits in raw material and energy usage.

Over the years, our chemical production in Denmark has refined their skills and technical capabilities to increase recycling of organic solvents. Every year this eliminates the need for thousands of tonnes of virgin materials and saves resources for production, transportation and waste management. In 2019, we managed to recover 67% of the most used solvents. This eliminated the need to purchase approx. 4,400 tons new solvents, which is equivalent to 145 road tankers. However, this is a drop in solvent recovery compared to 76% in 2018, and we did not fulfil the target of recycling 75% of the 10 most used solvents. The explanation for the reduction is that the possibilities for recycling vary with the production processes. At our production site in Italy, 55% of the used solvent was recycled in 2019. This was done by an external contractor.

We remain dedicated to exploring solvent recovery possibilities and will develop best practices across our two chemical production sites. Our target for 2020 is to recover 55% of the solvents used in chemical production across our

sites in Denmark and Italy, which explains why the target recovery percentage is lower than previous years.

Circular economy principles applied

By combining continuous production with recycling principles, we can create a circular economy, integrating different manufacturing processes and reusing materials across different processes. Our new Sustainability Strategy contains a circular economy aspiration to move away from the traditional linear 'take-make-dispose' manufacturing model to a more regenerative model. This is in line with the Sustainable Development Goal 12, Responsible Consumption and Production.

Our pharmaceutical production in Denmark advanced their actions to reduce waste, increase reuse and recycling. During 2019, cyclic planning was introduced, which is a planning setup that ensures a more stable and predictable execution of production. This reduces the use of materials and the amount of waste generated in production. In our liquid product production, we reduced packaging waste by 83% compared to 2018. This is equivalent to 1.4 million pieces less waste in the form of cartons, labels or leaflets. In 2020, preparations will be made for implementing the new planning concept for our solid products where the reduction potential is even greater.

Our technical staff at the chemical production in Padova (Italy) improved the cooling system water circuit. This brought the consumption of unfiltered water 49% down from approx. 176,000 m³ in 2018 to 90,000 m³ in 2019.

In 2019, Lundbeck recycled 59% of the non-dangerous waste. By analysing waste streams and training employees in waste separation, we continuously identify new possibilities for increased recycling. At our headquarters' packaging facility, we increased the sorting of waste and sent 27 tons of paper for recycling compared to 9 tons in 2018.

SDG targets



12.1 | 12.4 | 12.5
12.6 | 12.8

Aspiration for 2030

- Establish manufacturing processes based on circular economy principles to limit materials use, waste and CO₂ emissions
- Expand application of circular economy principles to key partners

2020 targets

- Recycle 55% of the solvents used in chemical production
- Zero environmental incidents

Climate action

Saving energy and reducing CO₂ emissions are long-standing and strategic priorities for Lundbeck. Today, we use 35% less energy and emit 68% less CO₂ than in 2006. We are committed to expand and align our actions with the Science Based Target initiative (SBTi) scenarios limiting global temperature increase to 1.5°C.

Lundbeck was one of the first Danish companies to have its CO₂ reduction target approved by the independent Science Based Target initiative (SBTi). We have been acknowledged several times as a leading company by the Carbon Disclosure Project (CDP) who rates organisation's disclosure and management of climate change risk. For more than a decade, we have reported reductions in both energy consumption and CO₂ emissions. Our current target commits us to reduce CO₂ emissions by 70% in 2035 compared to 2016.

We still have a long way to go and taking bold actions in the next decade is critical. Therefore in 2019, we decided to accelerate our actions and join the global movement "Business Ambition for 1.5°C" of leading companies aligning their business actions with the most ambitious aim of the Paris Agreement. This commitment clearly expresses our support to Sustainable Development Goal 13, Climate Action.

To make this a reality, we will increase our pace of change and expand the scope of action to include CO₂ emissions from our value chain. We have achieved excellent results within our direct emissions (Scope 1) and purchase of electricity and heat (Scope 2). However, more than 90% of our total CO₂ emissions are derived from our value chain (Scope 3). This includes where the goods and services we need are produced, the distribution of our products to patients, when our employees travel, and how our waste is treated.

Increased ambition and scope

We are committed to obtain the SBTi approval of a climate target to reduce our CO₂ emissions

in Scope 1, 2 and 3. We will use our experience and the increasing attention to climate change to motivate actions in areas that lie outside our direct control.

In 2019, we continued our focus on saving energy. For instance, the cooling facility serving our headquarters, research and manufacturing in Denmark was refurbished with six new degassing units. This saves 300 MWh annually equivalent to the energy consumption of approx. 12 households. Other initiatives have delivered energy savings by simplifying processes and improving controls. In total, we reduced the energy consumption by 1% and our CO₂ emissions by 4% compared to 2018 (Scope 1 and Scope 2).

External recognition

Our continued efforts to reduce energy consumption and CO₂ emissions have been acknowledged by the leading global environmental benchmark Carbon Disclosure Project (CDP). They rate companies' ability to disclose and manage their greenhouse gas emissions. In 2019, Lundbeck was included in CDP's Climate A-list, the highest possible rating awarded to only the top 2% percent of the more than 8,400 companies surveyed by CDP.

Further, in 2019 Lundbeck was invited to be part of the Danish government's Climate Panel for Life Science and Biotech to help provide industry-wide climate recommendations. These and recommendations from other sectors will be presented in 2020 and form the basis for the Danish government's climate action plan, which aims for 70 percent greenhouse gas reduction by 2030.

SDG targets



13.2

Aspiration for 2030

- Deliver on the "Business Ambition for 1.5°C" pledge
- Transition electricity supply to renewable sources
- Manage two-thirds of value chain CO₂ emissions equally effective as internal CO₂ emissions

2020 targets

- Reduce CO₂ emission by 4% in 2020 compared to 2019
- Obtain 'Science Based Targets initiative (SBTi)' approval of new climate target

Responsible business conduct

We pursue our business purpose guided by applicable regulatory requirements, the principles in our Code of Conduct and the aspirations in our Sustainability Strategy. Our sense of responsibility is underpinned by five core beliefs: Patient-driven, Courageous, Ambitious, Passionate and Responsible.

Lundbeck's ethical standards are defined by Executive Management with support from a dedicated Compliance Committee representing key business functions. The committee continuously evaluates our ethical performance and initiates needed improvements. Our Chief Compliance Officer provides regular updates on ethics and compliance matters to the Board of Directors' Audit Committee. We have anchored our corporate support to Sustainable Development Goal 16, Peace, Justice and Strong Institutions at the highest possible level.

Updated Code of Conduct implemented

Our Code of Conduct is the backbone of our ethics and compliance culture. It conveys our commitments and expectations to our employees for areas critical to the pharmaceutical industry. All employees and third parties working on Lundbeck's behalf are obliged to observe the Code of Conduct and any stricter local regulations.

First established in 2010, we update our Code of Conduct regularly. The most recent update in 2019 reflected changes to internal and external requirements, including the International Federation of Pharmaceutical Manufacturers and Associations (IFPMA) Code of Practice 2019, enhancing regulation in how pharmaceutical companies interact with healthcare professionals. Other updates of the Code of Conduct aim to provide additional clarity for instance regarding the use of Social Media, handling of personal data and promotional activities. We reflect such changes in our operational procedures to encourage good practice.

Our annual compliance and ethics training conducted in 2019 aimed at establishing a good understanding of how risks are identified and managed locally. All employees were asked to complete a risk survey with three questions. The provided input was used to prepare local workshop discussions facilitated with simple guides and visual aids. The risk results and key reflections from the discussions were provided to the compliance function in our headquarters. In addition to the local face-to-face discussions, the annual Code of Conduct eLearning was taken, and a concluding test was passed by all employees globally.

Transparent collaborations

To develop and deliver innovative treatment of brain disease, we work with a range of stakeholders. These include healthcare professionals, patients and their respective organizations. We collaborate on research, clinical development, exchange of scientific information, marketing and sales activities.

These interactions are well-regulated by the national laws and industry association regulations that we integrate into our working processes, training and guidance.

We are committed to transparency and our disclosed information follows the current laws or regulations from the industry associations we have joined, such as the European Federation of Pharmaceutical Industries and Associations (EFPIA). As a result, anyone can access information about Lundbeck's interactions with healthcare professionals and

patients, including exchanges of scientific information, support to patient advocacy groups, educational and promotional activities on www.lundbeck.com/global/sustainability.

We believe that increased transparency will help promote the acceptance of these professional relationships and their value to the enhance patient care. In 2019, we conducted series of training sessions for key people in all sales affiliates to ensure a successful implementation of our global procedure for interactions with Healthcare Professionals and patients, which has been enhanced.

Maintaining the right understanding

Lundbeck's comprehensive monitoring programme is built on systematic collection of information and communication with our global business units, focused discussions, audits and investigation of reported concerns in our Compliance Hotline.

Skilled auditors from our assurance functions conducted 132 internal audits that covered research, development, manufacturing, health, safety and environment, marketing, sales, IT and finance in 2019. They also conducted 182 audits at suppliers and partners. Audits are documented in accordance with Lundbeck's procedures and appropriate actions are taken. The reduced number of internal audits compared to 2018, is mainly driven by fewer audits within our US

sales organisation. We have focused on implementing the strengthened local compliance programme and conducted extensive training.

Our Compliance Hotline has been in place since 2014 allowing both employees and external parties to report legal and other serious concerns in a confidential manner. We regularly communicate about the importance of having an open dialogue on ethics and compliance. This includes awareness campaigns on the Compliance Hotline. In 2019, we launched our Compliance Hotline App as a standard installation on company smart phones to ease the reporting of concerns. Lundbeck Compliance Hotline App is available on Apple's App Store and Google Play.

In 2019, we have received 28 reports and completed 21 of the initiated investigations. Seven of these investigations have been substantiated due to breaches of Lundbeck's Code of Conduct or related internal procedures. Corrective and preventive measures have been taken as appropriate. Seven investigations are still ongoing and will be concluded in early 2020.

All reports received are handled in accordance with our investigation procedure, applicable data privacy requirements and Lundbeck's non-retaliation policy, which does not allow discrimination against anyone reporting a concern in good faith.

SDG targets



16.2 | 16.5 | 16.b

Aspiration for 2030

- Demonstrate that the Code of Conduct Compliance Structure and organisation works i.e. sustains an ethical culture and prevent any form of corruption
- Protect the integrity of the healthcare professionals we work with and use transparency as an asset

2020 targets

- Annual Code of Conduct training completed by all employees at work globally
- Work to increase proportion of healthcare professionals supporting disclosure of collaborations compared to the previous reporting year

Key performance indicators

We consider the data presented here key indicators for Lundbeck's sustainability performance in 2017-2019. Please visit www.lundbeck.com/global/sustainability to obtain more detailed information and data from the current and previous years.

INDICATOR		2017	2018	2019
Finished goods production	Pieces	2,354,627,717	2,258,194,100	2,252,128,380
Chemical production	Tonne	494	339	406
Raw materials, organic solvents	Tonne	3,808	3,758	4,127
Water consumption	m ³	349,943	374,406	285,671
Energy consumption	MWh	93,413	94,312	93,137
CO ₂ emission	Tonne	17,244	15,973	15,254
Waste	Tonne	13,364	12,525	14,074
Waste water	m ³	320,183	344,731	252,219
Incidents with an impact on the environment	Number	0	1	0
Work-related accidents with absence	Number	19	25	23
Frequency of lost time accidents	Frequency	5.9	7.5	6.2
Work-related diseases	Number	2	1	2
Internal audits conducted ¹	Number	216	226	132
External audits conducted ²	Number	171	157	182
Compliance Hotline reports ³	Number	20	15	28
Employees globally (yearly average) ⁴	Number	4,980	5,060	5,475

¹ Sum of conducted and reported audits performed at Lundbeck headquarter functions and global affiliates (see page 17).

² Sum of conducted and reported audits performed at Lundbeck's suppliers and partners (see page 17).

³ Reported concerns that involve legal, serious financial, reputational risks as specified at <https://www.lundbeck.com/global/compliance-hotline>

⁴ Included in the review of the Annual Report.



Independent Auditor's Assurance Report

To the Management and stakeholders of H. Lundbeck A/S

We have assessed H. Lundbeck's *UN Global Compact 2019 Communication on Progress Report* ("the COP-report") and the *Health, Safety and Environment Data Overview – H. Lundbeck A/S – 2019* ("the HS&E-report") to provide limited assurance on selected data. Our assessment was performed in order to assess whether:

- the sustainability key performance indicators on page 18 in the COP-report,
- the proportion of the underrepresented gender at other managerial levels on page 10 in the COP-report, and
- the data presented in the HS&E-report,

have been stated in accordance with the criteria defined by the reporting principles.

The above-mentioned reports cover Lundbeck's international activities from 1 January to 31 December 2019.

We express a conclusion providing limited assurance.

Management's responsibility

The Management of Lundbeck is responsible for collecting, analysing, aggregating and presenting the information in the COP-report and the HS&E-report, ensuring that data is free from material misstatement, whether due to fraud or error. Lundbeck's reporting practice contains Management's defined reporting scope for each data type. Several reporting principles are described in the COP-Report, while others are described on <https://lundbeck.com/global/sustainability/environment/reporting>.

Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the sustainability key performance indicators on page 17 in the COP-report, the proportion of the underrepresented gender at the other managerial levels on page 8 in the COP-report and the data presented in the HS&E-report. We have conducted our work in accordance with ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, and additional requirements under Danish audit regulation to obtain limited assurance about whether the selected data is free from material misstatement.

Deloitte Statsautoriseret Revisionspartnerselskab is subject to International Standard on Quality Control (ISQC) 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by FSR - Danish Auditors (Code of Ethics for Professional Accountants), which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal controls, and the procedures performed in response to the assessed risks. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Considering the risk of material misstatement, we planned and performed our work to obtain all information and explanations necessary to support our conclusion. We performed our on-site reviews at Lundbeck's Head Office in Valby, Denmark, in January 2020. Our work has included interviews with key

functions at Lundbeck, inquiries regarding procedures and methods to ensure that selected data and information have been presented in accordance with the stated reporting practice. We have assessed processes, tools, systems and controls for gathering, consolidating and aggregating the data in scope at Group level, performed analytical review procedures, and tested the data prepared at Group level for consistency with underlying documentation.

We have not performed site visits or interviewed external stakeholders, nor have we performed any assurance procedures on baseline data or forward-looking statements such as targets and expectations. Consequently, we draw no conclusion on these statements.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that

- the sustainability key performance indicators on page 18 in the COP-report,
- the proportion of the underrepresented gender at other managerial levels on page 10 in the COP-report and
- the data presented in the HS&E-report,

have not been prepared in accordance with the reporting practice described.

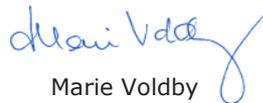
Copenhagen, 4 February 2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 96 35 56



Laks Andersen
State-Authorised Public Accountant
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