

## Lundbeck - Tax policy

### Background

At Lundbeck, we are tirelessly dedicated to restoring brain health, so every person can be their best.

We will pursue this ambition in accordance with our corporate beliefs of being: Patient-Driven, Courageous, Ambitious, Passionate and Responsible

Being compliant with applicable laws, regulations, guidelines and industry standards is at the foundation of being responsible.

This policy sets forward the principles by which we manage our tax affairs\* in a compliant and responsible manner.

### Substance

The nature of being a global corporation implies that goods are sold, services are carried out and intangibles exploited between Lundbeck entities across geographical borders and between different tax regimes. Consequently, Transfer pricing is particularly important when it comes to managing our tax affairs responsibly.

We pay close attention to transfer pricing requirements and focus on pricing the value of these intercompany transactions on arms-length basis ensuring profits being taxed in the jurisdictions, where economic activities generating the profits are performed and where value is created. We consider the transfer pricing regulation equally important in all of the countries where we operate. At the same time, we must maintain the right balance between international and local tax requirements to minimize the consolidated transfer pricing adjustment risk for the Group.

To minimize tax risks and uncertainties regarding transfer pricing, we seek to obtain advance pricing agreements with local tax authorities in key jurisdictions (bilateral binding rulings) in cases where it is relevant and possible.

### Compliance

Being compliant with applicable national and international tax rules and regulations is fundamental to Lundbeck.

Complying with tax rules can be complex as the interpretation of legislation and case law may not always be clear and may change over time. We aim to always comply with the letter of the law as well as the legislators' intention with the law. Where tax regulations are unclear or subject to interpretation, written advice or confirmation will

be sought as appropriate to gain clarity, minimize tax risks and/or ensure that our position would, more likely than not, be settled in our favour.

### **Transparency**

Our legal organization is structured to support the business activities and we are not engaged in artificial or opaque structures that are intended for tax avoidance or have no commercial substance. A presence in a low tax jurisdiction will be based on commercial potential for our pharmaceutical products in the specific jurisdiction.

We are transparent in our approach to tax and communicate about our tax policy in a transparent and understandable manner.

### **Dialogue with tax authorities**

We have an open dialogue with national tax authorities, both in Denmark and abroad. In situations where we cannot resolve disagreements with tax authorities through dialogue, we resolve our disagreements in the tax tribunals or courts to ensure that the appropriate practices are determined and implemented.

We also make ourselves available if the authorities ask for our assessment of the consequences of a tax measure.

### **Use of incentives**

Governments often implement tax rules encouraging companies to increase investments in order to stimulate growth or to create jobs. We use available incentives and tax reliefs where they apply in areas where we have business substance and where this is the legislators' intention with the rules. An example hereof is the use of research and development expenditure credits or 'superdeductions'.

### **Tax Risk management and reporting**

The Group has a low tolerance towards tax risks.

Lundbeck's Group Tax department systematically collects, maps and monitors tax risks in collaboration with relevant stakeholders in the group, and with tax advisors.

Risks are reported to management on a quarterly basis. Material tax risks are reported to and discussed with Audit Committee twice a year.

No tax optimization initiatives considered to impose a tax adjustment risk material to the Group are implemented without involvement of Management and Audit Committee.

### **Governance**

The principles of this policy apply to H. Lundbeck A/S and all its subsidiaries (the Group). The principles, including roles and responsibilities are reflected in internal operational

guidelines and in processes established to ensure that the policy is embedded in the daily operations.

The tax policy is revised annually and current tax policy is approved by Lundbeck Board of Directors 02.12.2019

**\*Taxes” mean Danish and foreign taxes and comprise:**

- Direct taxes: Corporate tax
- Indirect taxes: VAT, sales taxes, excise duties, real estate taxes and custom duties
- Withholding taxes: withholding taxes on dividends, interest, royalties etc, payroll withholding taxes and social contributions