novo
holdings
Investors in life science

Tax Report

2021

About Novo Holdings

As mandated by the Novo Nordisk Foundation, it is the strategic objective of Novo Holdings to be a strong owner of Novo Nordisk and Novozymes, to generate attractive returns on the Novo Nordisk Foundation's investable capital and to invest in and promote better health, sustainability and welfare.

Our purpose is to improve people's health and the sustainability of society and the planet, and our mission is to generate long-term returns on the assets of the Novo Nordisk Foundation and be a supportive owner of the Novo Group companies. We support our purpose through our Vision and Guiding Principles:

Our Aspiration

Be a leading responsible investor, recognised for delivering strong financial returns and positive societal impact.

Our Guiding Principles

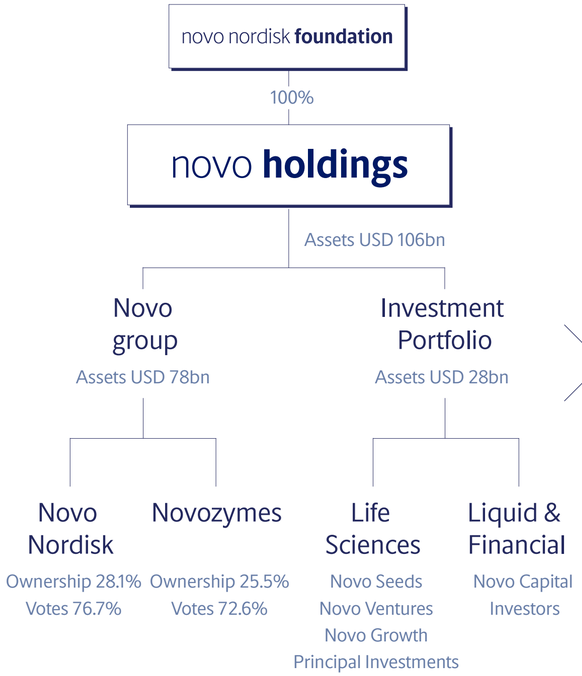
Values-driven
- A values-based company
- The Novo Holdings Way: we strive for high performance with respect and responsibility

Ambitious Strategy
- Novo Holdings pursues a return-driven and long-term investment approach with a direct investment strategy in Life Sciences and a portfolio manager mandate investment strategy in diversified assets

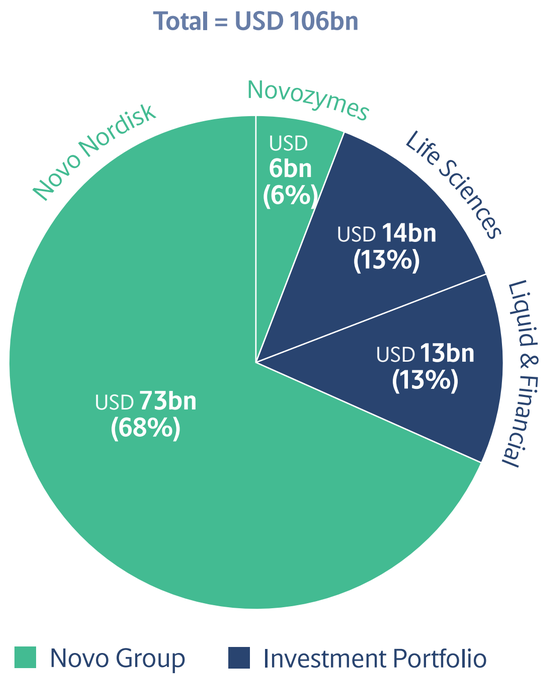
Operational Excellence
- Ensuring solid foundations for success
- Industry-leading investment teams
- Strong collaboration and cohesiveness at all layers of the organisation

We operationalise our asset allocation through a Life Science-focused life investment strategy complemented by a broadly diversified global cross-industry financial portfolio. By the end of 2021, 52% of the Investment Portfolio is allocated to Life Science Investment areas and 48% is allocated to the Capital Investments area, which is within our long-term strategic direction of deploying 50-60% of the Investment Portfolio in the Life Sciences sector.

Overview structure as per 31 December 2021



Split of Assets under Management as per 31 December 2021



Taxes borne and collected throughout the value flow of the Novo Nordisk Foundation



Taxes borne and taxes collected throughout the value flow of the Novo Nordisk Foundation are associated with the Foundation's operational activities as well as its grant activites. In the operational activities throughout the group, taxes borne and collected encompass corporate income taxes on profits and gains, taxes collected on employees salaries and social security and indirect taxes such as value added tax, excise duties, customs etc.

In the Foundation's grant activities, supporting research and development thereby indirectly funding salaries, raw materials etc., taxes borne and collected also encompass employees taxes on salaries and indirect taxes on raw materials, services, etc. Ultimately, these activities may grow into new start-ups and turn into profitable business.

Novo Holdings' approach to responsible tax

Signatory to the Danish Tax Code of Conduct
In late 2020, Novo Holdings joined the Danish Tax Code of Conduct, initially adopted by several of the major Danish pension funds and subsequently joined by other large institutional investors. It covers six areas and outlines the expectations for external asset managers and investors.

The six areas cover:
- Investors' expectations towards external managers
- Tax planning, defining which tax structures and transactions can and cannot be accepted
- Country restrictions
- Investments in developing countries
- Transparency and dialogue
- Future developments

By signing the Tax Code of Conduct, we are joining forces with other large investors to establish – and adhere to – tax practices that are in accordance with the OECD tax initiatives. We find that taking an active stand against aggressive tax planning and pledging to increase tax transparency, which are among the key points of the Tax Code of Conduct, are essential steps towards achieving the Sustainable Development Goals.

Link to: Tax Code of Conduct ›
Link to: Novo Holdings Tax policy ›

At Novo Holdings, we see it as an integral part of being a responsible long-term investor to conduct our tax affairs in a robust and transparent manner. Our commitment and diligence towards tax affairs are stated in our Tax Policy, which governs all taxes paid by Novo Holdings and applies to both direct and indirect investments.

The Tax Policy was launched in 2020 and has been adopted by our Board of Directors. We review the Tax Policy annually to continually improve our conduct and to act in compliance with the latest regulations.

Our ambition is to fulfil our stakeholders' expectations towards Novo Holdings as a responsible investor and to be aligned with the tax policy approach adopted by some of the largest Danish pension funds



Five key components in the Novo Holdings responsible tax agenda

Component	1. Internal Tax strategy/ external tax policy	2. Tax principles	3. Tax transparency	4. Asset management	5. Listed Investments
Purpose	To set the ambition level for our approach to responsible tax	To continuously align to international standards and ensure reflection of latest responsible tax policy developments in our majority portfolio companies	To be able to demonstrate our approach to Responsible Tax in our Tax Policy and external reporting	To ensure that our portfolio companies and external fund managers continuously comply with latest tax policy developments and standards	To have a positive impact on responsible tax behaviour in investments without controlling influence

Novo Holdings' adoption of responsible tax

Novo Holdings takes an active approach to handling potential tax risks by identifying tax risks when entering new investments. New private investments are reviewed according to our processes and principles to make informed tax decisions in which tax risks are assessed and mitigated, and to ensure that Novo Holdings does not engage in aggressive tax structures.

Examples of tax practices which have been avoided because they are misaligned with the Tax Policy:

- Investment structure in a US partnership where offshore entities were contemplated for investments in Brazil and other countries in Latin America, with the purpose of avoiding taxation of capital gains
- Investment structures with offshore intermediary holding entities used for the purpose of obtaining treaty benefits which could not have been achieved by investing directly into the target jurisdiction
- Investment structures with intermediary holding entities with no or limited substance
- Investment structures using holding entities in blacklisted jurisdictions

Illustration of the general tax process for investment:

1. Due diligence
Identify and quantify the tax-related risks of the investment target

2. Structuring
Determine the best investment structure for Novo Holdings and ensure compliance with our tax planning principles

3. Negotiation
Ensure that our requirements on tax are reflected in the contractual basis for the investment

4. Implementation
Ensure that the investment structure is implemented correctly and registered in our asset register

5. Asset management
Handling of applicable tax filings or reporting and monitoring of tax risks and alignment of our tax policy

On a continuous basis, Novo Holdings will ensure that tax technical assessment is made and, if deemed appropriate by the Novo Holdings Tax Team, obtain an external opinion for all major transactions for which obtaining a firm tax position is necessary. For example, this could be relevant in situations in which there is uncertainty about how to interpret or apply the tax legislation, or if the investment is particularly significant financially. We will only adopt a tax position if we are able to explain it and prepared to defend it.

Furthermore, Novo Holdings is monitoring changes in tax rules and tax practices that may influence our tax position in relation to our investments. This implies that we will monitor the tax risk in major jurisdictions where investments are conducted.

Responsible tax is now an integrated part of the ESG agenda with some of the key characteristics being:

- Creating value from a **tax risk mitigation** perspective, as well a minimising 'unintended' **reputational risks.**
- **Abstaining from aggressive and unintended tax behavior** (i.e. publicly available tax policy, avoiding tax havens and aggressive tax planning, increasing transparency and disclosure as well as managing tax risks).
- **A moving target**, constantly evolving.

"As a global investor, we are recognising the increased complexity on tax when doing investments. This calls for an increased transparency both from investors and portfolio companies on the approach to tax related to structuring of investments and how companies are contributing to societies by their tax payments. Novo Holdings want to be proactive in supporting this journey."

Emil Christensen
Head of Tax,
Novo Holdings



Novo Holdings Group Tax Principles

In December 2021, the Board of Directors of Novo Holdings approved a set of Tax Principles. The Tax Principles have been implemented in collaboration with Novo Nordisk and Novozymes, and were anchored in portfolio companies where Novo Holdings is a majority owner during 2022.

As per 30 June 2022 the list of companies are:

- Novo Nordisk Group
- Altasciences Group
- BBI Group
- Medical Knowledge Group
- Dades
- Novozymes Group
- Sonion Group
- Xellia Group
- NNIT Group
- The Ritedose Corporation Group



Kasim Kutay, CEO, Novo Holdings

"At Novo Holdings we have a firm belief that responsible tax behaviour is an important aspect of maximising the long-term investment value for Novo Holdings."

At Novo Holdings, we expect our companies to conduct sustainable and responsible tax practices aligned to a set of tax principles, where the companies:

- **act** as good corporate citizens by striving to comply with the letter and intent of tax laws and regulations;
- **handle** tax risks by taking decisions on an informed basis, which includes systematic monitoring of global tax policy developments;
- **publish** a Tax Policy which continuously live up to international best practice in accordance with leading standards, and is approved by the Board of Directors;
- **operate** in a way where the commercial setup is guiding the tax structure, and refrain from engaging in aggressive tax planning;
- **comply** with OECD guidelines on Transfer Pricing principles unless otherwise required by local law;
- **maintain** an open and collaborative relationship with tax authorities based on transparency and trust;
- **present** relevant tax information to the public through annual tax reporting.

Highlights from 2021/2022 and focus areas for 2023

Screening process for listed investments

During 2021, we completed our first screening process on all listed investments (+200 companies) in terms of Effective Tax Rate (ETR), and analysed tax notes in the Annual Financial Statements for Groups with an ETR below 15% (aligned with the OECD proposal for minimum taxation), and where relevant, questionnaires were sent to the company or the relevant custodian.

Increase of Novo Holdings Tax Team

In 1 October 2021, we expanded our Tax Team with a Senior Tax Specialist, so the team now includes two full-time employees supported by our external tax advisors.

Largest tax contributor in Denmark

Novo Holdings and our Danish subsidiaries were the Danish joint taxation group contributing most to payment of corporate taxes in 2021, with a total of DKK 9.8 billion.

Implementation of Tax Principles for Majority Holdings

In December 2021, the Board of Directors of Novo Holdings approved a set of Tax Principles

The Tax Principles were implemented in collaboration with Novo Nordisk and Novozymes during 2021, and were anchored in portfolio companies where Novo Holdings is a majority owner during 2022

Updated tax policy

In December 2021, the Board of Directors of Novo Holdings approved an updated Tax Policy, containing the following key updates:

- Closer alignment to GRI Sustainability Reporting standard #207 and B Team principles
- More detailed description of our main objectives and concrete examples of acceptable/unacceptable practices
- Commitment to publishing our special annual tax report end of 2022 based on 2021 figures and information on our expectations towards our business partners and investments, including listed and unlisted companies, with respect to tax matters

Focus areas for 2023

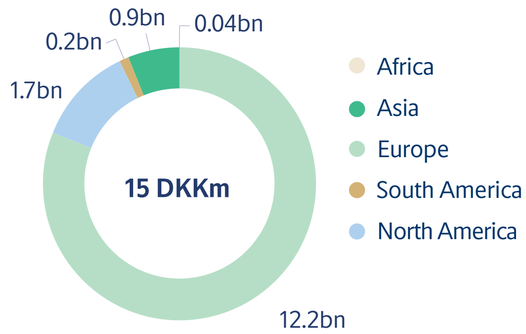
- **Tax developments**
  To monitor latest developments and update our approach to tax when relevant, we have scheduled bi-yearly workshops with support from external advisors to assess the impact from new legislations, trends etc.
- **Pillar II**
  Though the OECD initiative on Pillar II has not been finally implemented, we will – together with our tax advisors, Novo Nordisk and Novozymes as well as our majority-owned portfolio companies, assess the impact and prepare the possible implementation of Pillar II
- **Novo Holdings Group Tax Principles**
  During 2023, we will support our majority-owned portfolio companies in anchoring the Tax Principles in their processes

Region-by-Region reporting

In order to increase transparency, we present key figures on tax regional levels below. The table shows that Novo Holdings and our controlled subsidiaries are contributing significantly to society in regions where operations are carried out. In 2021, our group have paid taxes of more than DKK 15 billion. The Region-by-Region reporting content largely follows the GRI 207: Tax standard, but we have chosen to do the split per region for 2021 and, going forward, will work towards increasing the level of details for the underlying countries. In order to ensure internal coherence throughout the annual report, corporate income tax is calculated based on IFRS reporting standards instead of GRI methodology. The tax incentives provided on research and development activities, in particular relevant to Life Science companies, defer our tax payments, resulting in a difference between profit (loss) in the accounts and taxable income over a period of time. This is applicable in most of the countries where we operate.

In DKK million **Regions**	**Number of employees**	**Revenue from third-party sales**	**Revenue from group transactions**	**Total revenue**	**Profit (loss) before income tax**	**Corporate Income tax paid**	**Corporate Income tax accrued**	**Property, plant, equipment and inventory**
Europe	31.5	78	162	240	104	12	10	36
Asia	23	31	14	45	3.5	0.9	1	6
North America	10	74	29	103	8	2	2.5	29
South America	2.6	7	2	9	0.7	0.2	0.3	0.8
Africa	2	3.5	1.5	5	0.5	0.05	0.05	0.7
Total	**69.1**	**193.5**	**208.5**	**402**	**116.7**	**15.15**	**13.85**	**72.5**

Corporate tax paid per region (DKK million)



Global footprint

Consolidated figures for majority holdings of Novo Holdings

Total tax contribution

According to the OECD classification, tax is a compulsory unrequited payment to general government. This means a payment paid by the Novo Group companies* to the government, including amounts paid through an agent. Tax does not result in a return of value to the Novo Group companies for a right or asset used in the business.

Taxes borne by the Novo Group companies are those that represent a direct cost and are reflected in the financial result. Taxes borne are charged to the profit and loss account. Taxes collected are those which are generated by the Novo Group operations. The Novo Group generates the commercial activity that gives rise to the taxes and then collects and administers them on behalf of the tax authorities in the countries where we operate.

Corporate income taxes paid

Corporate income taxes paid primarily consist of corporate income taxes and withholding taxes on company dividends paid during the year.

Employment taxes

Employment taxes primarily consist of taxes collected from the employees on behalf of the government and social security costs (part of payroll taxes in some countries).

Indirect taxes

Indirect taxes consist of non-refundable VAT, net VAT collections, customs duties, environmental taxes and property taxes.

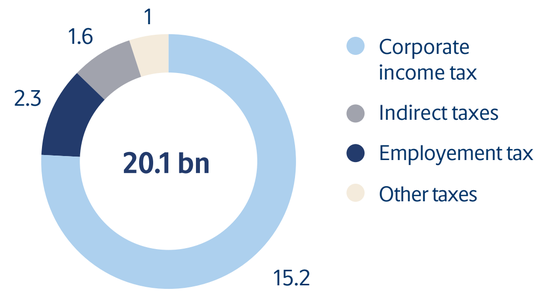
Other taxes

Other taxes consist of country-specific taxes not linked to one of the categories above, e.g. the US branded prescription drug (BPD) fee.

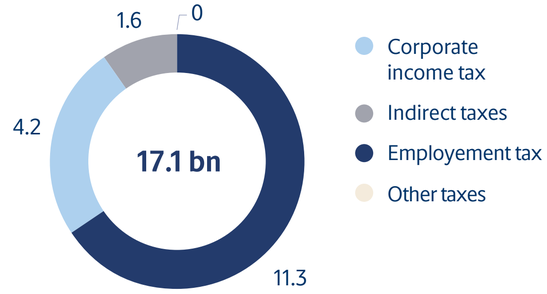
*Novo Group Companies include Novo Nordisk Group, Altasciences Group, BBI Group, Novozymes Group, Sonion Group, Xellia Group, NNIT Group and Novo Holdings Group Companies

DKK million	Taxes borne	Taxes collected	Total
Europe	14.5	12.5	27
Asia	2.1	1.9	4
North America	2.5	2.1	4.6
South America	0.9	0.6	1.5
Africa	0.07	0.05	0.12
Total	**20.1**	**17.15**	**37.22**

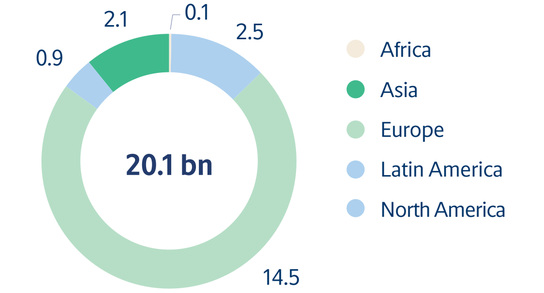
Taxes borne - by tax type 2021**



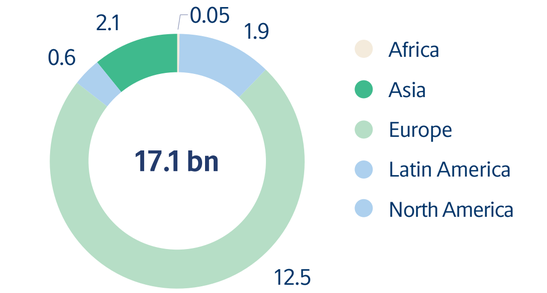
Taxes collected - by tax type 2021**



Taxes borne - by tax Region 2021**



Taxes collected - by tax Region 2021**



** in DKK billion

Conclusion

- Novo Group total tax contribution for 2021 was DKK 37.2 billion. This comprises the taxes we paid and collected on our global operations.
- The DKK 20.1 billion of taxes paid includes corporate taxes on profits, as well as employer taxes and other direct and indirect taxes levied on our activities.
- The DKK 17.1 billion of taxes collected includes amounts that we collected on behalf of others – for example customers, suppliers and employees – and paid to tax authorities or governments.
- Novo Group companies had operations in 74 countries in 2021. More than 72% of the total taxes borne and 73% of total taxes we collected arose in Europe which is in line with the distribution of revenues and profits.

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