novo holdings

Investing to benefit people and the planet

Tax Report

2022/2023

Contents

Novo Holdings

Our mission is to improve people's health and the sustainability of society and the planet, by generating attractive long-term returns on the assets of the Novo Nordisk Foundation

Our aspiration is to be a leading responsible investor, recognised for delivering strong financial returns and positive societal impact. We embody our purpose through our Vision and Guiding Principles:

We operationalise our asset allocation through a life science-focused investment strategy complemented by a broadly diversified capital investments portfolio. By the end of 2022 54% of the Investment Portfolio is allocated to Life Science Investment areas and 46% is allocated to the Capital Investments area, which is within our long-term strategic objective of deploying 50–60% of the Investment Portfolio capital into the Life Sciences sector. *Please see appendix for an overall a structure overview.*

The Novo Holdings Way is important to our tax approach as it helps to ensure that we as engaged owners pursue long-term results with integrity. It drives our commitment to transparent, responsible tax practices and continuous learning to meet evolving regulations.

Our Guiding Principles

Aspiration

We aspire to be leaders in responsible investing, delivering strong financial returns and positive societal impact

Values Driven

A values-based company:
› We strive for high performance with respect and responsibility
› Leading by example

Ambitious strategy

› Return Driven
› Life Science Allocation
› Diversified Capital Investments Allocation
› Significant Direct Investments

Excellence in operations

› Ensuring solid foundations for success
› Talent Nurture & Development
› Governance & Processes
› Strong collaboration and cohesion

Our Guiding Principles

The Novo Holdings Way

Performance

- We strive to deliver outstanding long-term results.
- Vision, collaboration and diversity are key to our performance.

Respect

- We conduct ourselves with integrity and transparency.
- We build long-term relationships based on trust and respect.

Responsibility

- Sustainability is integral to our business.
- Learning is core to our organisation.

Taxes borne and collected - value flow

Value flow

Novo Nordisk and Novozymes

Dividends and share buy-back programmes

Novo Holdings

Offices in Denmark, US, UK, Singapore and China

Return from Investment Portfolio

Dividends to the Novo Nordisk Foundation

The Novo Nordisk Foundation

Offices in Denmark, US, India

Grants

Start-ups and strategic initiatives

Taxes borne and collected

Novo Nordisk and Novozymes
- Corporate income tax
- Indirect taxes
- Employee tax
- Property taxes

Novo Holdings office activities
- Corporate income tax
- Indirect taxes
- Employee tax
- Property taxes

Taxation at investment level
- Corporate income tax
- Indirect taxes
- Employee tax
- Withholding taxes

The Novo Nordisk Foundation activities
- Corporate income tax
- Indirect taxes
- Employee taxes
- Property taxes

Grants
- Indirect taxes
- Employee taxes

Start-ups and strategic
- Corporate income tax
- Indirect taxes
- Employee taxes

Taxes borne by and collected at the Novo Nordisk Foundation are integral to both its operational and grant activities. Within its operational scope, the Foundation deals with various taxes. These include corporate income taxes on profits and gains, taxes on employee salaries and social security contributions, and indirect taxes like value-added tax (VAT), excise duties, and customs.

In its grant activities, the Foundation supports research and development, indirectly financing salaries, raw materials, and more. This includes handling both employees' income taxes and indirect taxes. These efforts often lead to the creation of new start-ups, which may develop into profitable businesses.

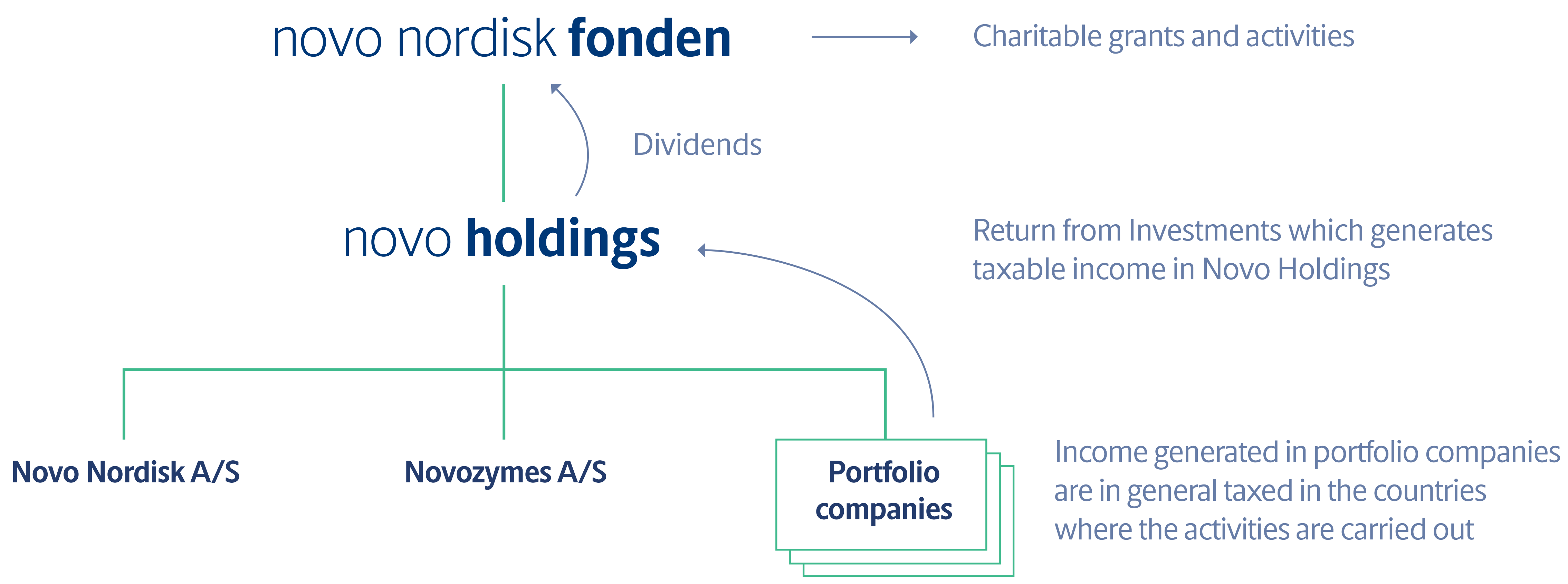
Taxation of the Novo Nordisk Foundation and Novo Holdings

The Novo Nordisk Foundation and Novo Holdings follow the same tax rules as ordinary corporations and limited liability companies, but are also subject to the Danish foundation tax rules, which stipulate that foundations must pay taxes of their income but permit deductions for charitable grants and operational costs.

The main purpose of the Danish foundation taxation rules is to encourage foundations to fulfil their unique mission, which is to make distributions for the public good and charitable purposes. These rules are based on an incentive scheme that allows foundations to reduce their taxation if profits are distributed for the benefit of society. If no distributions are made and the profit remains within the foundation, it is taxed like a regular corporation with a profit tax rate of 22%.

As a wholly owned subsidiary of the Novo Nordisk Foundation, Novo Holdings may attribute a part of or all of its taxable income through a dividend distribution to the Novo Nordisk Foundation with a deduction right for Novo Holdings. In practice, this is achieved by allowing Novo Holdings a tax deduction in exchange for the corresponding amount being recorded as taxable income in the Novo Nordisk Foundation, which then is being distributed as grants.

Simplified structure



Danish foundation taxation

The Danish foundation taxation rules comprises three key elements:

1. Deductions of charitable grants
2. The priority rule
3. The transparency rule

Deductions of charitable grants serve two purposes: to encourage charitable distributions by allowing deductions for such activities and to prevent double taxation of income. Double taxation would occur if income is taxed at the foundation level and again at the recipient's level without a corresponding deduction for the foundation.

The transparency rule allows a foundation-owned subsidiary to transfer its taxable income to the foundation. The transparency rule is designed to prevent additional taxation on income earned by a subsidiary owned by the foundation, rather than the income being generated directly by the foundation itself. This is achieved by transferring the income earned by the subsidiary to the foundation, where it is then considered as earned by the foundation. At the same time, the subsidiary is granted a deduction equal to the transferred amount. This ensures that the foundation is treated as if the income was earned directly by it, making the choice of corporate structure effectively neutral.

The priority rule requires foundations to distribute certain tax-free incomes before they can deduct grant distributions, allocations, or consolidations of foundation capital. Deductions for distributions are only possible to the extent they exceed tax-free stock dividends.

These rules aim to motivate foundations to distribute their profits for charity, offering tax reductions for grants paid out. If taxable profits are retained, standard corporate taxes apply. The rules are based on an incentive scheme allowing foundations to significantly reduce taxation if they distribute their profits for the public good and for charitable purposes. If distributions are not made, and profits are retained within the foundations, they are subject to ordinary corporate taxation.

Novo Holdings' approach to responsible tax

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 first launched and approved by our Board of Directors in 2020, and was latest updated in December 2021. 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.

Six 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	6. Signatory to the Danish Tax Code of Conduct
Purpose	To set the ambition level for our approach to responsible tax	To continuously align with international standards and ensure reflection of the 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	In 2020, Novo Holdings joined the Danish Tax Code of Conduct, aligning with major investors to promote responsible tax practices and combat aggressive tax planning, supporting OECD initiatives and Sustainable Development Goals. It covers six areas and outlines the expectations for external asset managers and investors.

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

Novo Holdings' adoption of responsible tax

Novo Holdings takes an active approach to handling tax risks by identifying potential risks when entering into new investments. New private investments are reviewed according to our processes and principles to ensure that Novo Holdings does not engage in aggressive tax structures. In these assessments, Novo Holdings are often facing challenging dilemmas and grey-zone areas.

As a global investor, Novo Holdings encounters multiple perceptions of the concept of Responsible Tax. What may be considered acceptable and responsible behaviour in some jurisdictions may perceived differently in other jurisdictions.

The inherent market tax risks that Novo Holdings encounters when assessing an investment also varies geographically. For example: offshore jurisdictions are less common in European investments, whereas offshore holding jurisdictions are more common in both Asia and the US.

Furthermore, the degree of influence Novo Holdings has on investment structures varies depending on several factors such as ownership percentage and the investment type (e.g. provision of a convertible loan note instrument, investment as a limited partner in a private equity or venture fund through external fund managers or as direct equity investor.)

When we are assessing potential investments, and in particular minority investments in Asia, we often come across tax structures that require careful attention. While we always consider our principle of avoiding aggressive tax planning, we also need to ensure that we are not by default disqualifying investment structures which may be based on sound business reasons and not established with the objective to obtain a tax benefit. As an example, we have accepted investment structures where the aim is to attract international investors in an Initial Public Offering (IPO), and where a Hong Kong or even a Cayman holding company is used, but where no tax benefit is obtained.

When it comes to blacklisted jurisdictions, however, we do not make any exceptions and do not invest into blacklisted jurisdictions.

When investing in private equity funds or alternative investment funds our focus area is to ensure sound governance for our commitment also from a tax perspective. The actual underlying investments are normally not made at the time of Novo Holdings making the commitment into a fund, and thus ensuring that the respective fund (or managers) acts in accordance with our tax principles is key.

Negotiations are often hard on areas that can potentially limit the flexibility for the funds structure possibilities. Especially upfront discussion on restrictions on use of holdings entities in blacklisted jurisdictions is a key pillar in our diligence work in new fund investments. The extent of governance required in the legal documentation depends on the investment areas, markets, etc.

Novo Holdings does not accept aggressive tax planning, but accepts non-aggressive tax planning, which may be holding entities in certain jurisdictions.

As articulated in our Tax Policy, one of our main objectives is that we are "*only engaging in investment structures that are driven by commercial considerations and supported by economic substance which is not artificial (position on tax planning)*".

Further, one of the key pillars is our principle of not investing in holding structures established in jurisdictions that are included in EU or OECD blacklists.

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At Novo Holdings, we responsibly manage tax risks in our global investments, avoiding aggressive tax structures and ensuring compliance with global standards, particularly in diverse and challenging international markets.

Emil Christensen
Head of Tax, Novo Holdings

Novo Holdings Group Tax Principles

During 2022 and 2023, our majority-owned portfolio companies have advanced their efforts to implement the Group Tax principles.

10 of our majority-owned portfolio companies have implemented a Tax Policy based on the Novo Holdings Group Tax Principles which have been approved by the Board of Directors in the relevant company.

A process has been initiated for the two most recently added majority-owned companies.

The next steps are to ensure anchoring of the tax principles in daily operations and decision-making through processes (if not already implemented) – as well as ongoing follow-up and potentially implementing adjustments to the tax policy.

Novo Holdings will follow up on the process within this area on an ongoing basis.

As per 30 November 2023 the list of companies are:

Novo Nordisk Group

Altasciences Group

BBI Solution Group

Dades

Novozymes Group

Ellab Group

KabaFusion Group

medicalknowledgegroup

NNIT Group

The Ritedose Corporation Group

Sonion Group

Xellia Group

Nigel Govett,
CFO, Novo Holdings

"As engaged and responsible owners, we see the implementation and anchoring of Novo Holdings Group Tax Principles in our controlled portfolio companies as an important part of the companies' approach to relevant tax risks, which contributes to maximizing the long-term investment value for Novo Holdings

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

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

Highlights from 2022/2023 and focus areas for 2024

Screening process for listed investments

Over the last three years, we have analysed our public investments' effective tax rates (ETR). Our investments had an average ETR of 22.2%, slightly up from last year.

While 95 investments were below the threshold of 15%, reasons included tax losses and credits. Only four companies needed further ETR clarification, all of which provided satisfactory details, reflecting a trend towards fair taxation and transparency.

Investments

Over the past year, our tax team has assisted with due diligence and structuring on more than 100 investments across all investment teams at Novo Holdings. We are continually developing our tax processes to ensure effectiveness and alignment with our principles.

Focus areas for 2024

- **Tax developments**
  We currently experience many developments in tax legislation, both domestically and internationally. It is important for Novo Holdings to be proactive in the legislative process, to further assess and address the relevant impact for Novo Holdings and our portfolio companies.
- **Digitalisation and automation**
  With an increasingly data-heavy compliance and reporting burden on tax, we see digitalisation and automation as an important focus area to reduce the manual administrative burden.
- **Novo Holdings Group Tax Principles**
  During 2024, we will continue to support our majority-owned portfolio companies in anchoring the Tax Principles in their processes.

Implementation of Pillar Two Model Rules

Novo Holdings and our controlled investments, including Novo Nordisk and Novozymes, will be subject to the Pillar Two Model Rules that come into effect on 1 January 2024.

Across all companies in the Novo Group, we have initiated the implementation of the rules in order to be prepared for the data reporting requirements necessary to compile a consolidated Globe tax return in 2026.

Novo Holdings and the Novo Nordisk Foundation have had constructive discussions with relevant authorities in 2022 and 2023 to clarify certain matters relevant for the Novo Group.

Simplicity agenda

During the past year our tax team have been looking at simplicity activities ensuring that the resources in very complex tax environment are used efficiently in the organisation.

- Novo Holdings has outsourced the tax compliance for our US investment structures to an external administrator.
- Novo Holdings has also implemented a platform to monitor tax filing deadlines in the US and Denmark mitigating key person risk and risk of non-compliance. We expect to expand this to also cover other jurisdictional areas.

Increase of Novo Holdings Tax Team

In June 2023, we expanded our Tax Team with a Tax Specialist, so the team now includes three full-time employees supported by our external tax advisors.

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. In our case, this means a payment paid by the Novo Group companies* to the government, including those 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 account for the taxes 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.

Within the Novo Group companies, we continue to contribute to society around the world. Our taxes borne as well as our taxes collected increased by DKK 3.5 billion during 2022 compared with 2021, bringing the total amount up from DKK 37.2 billion to DKK 40.7 billion. This is an increase of approximately 9.4% compared to last year's total tax contribution.

Most of our taxes borne and taxes collected can be attributed to Europe (55% for taxes borne and 68% for taxes collected) with the Danish companies being the biggest contributors.

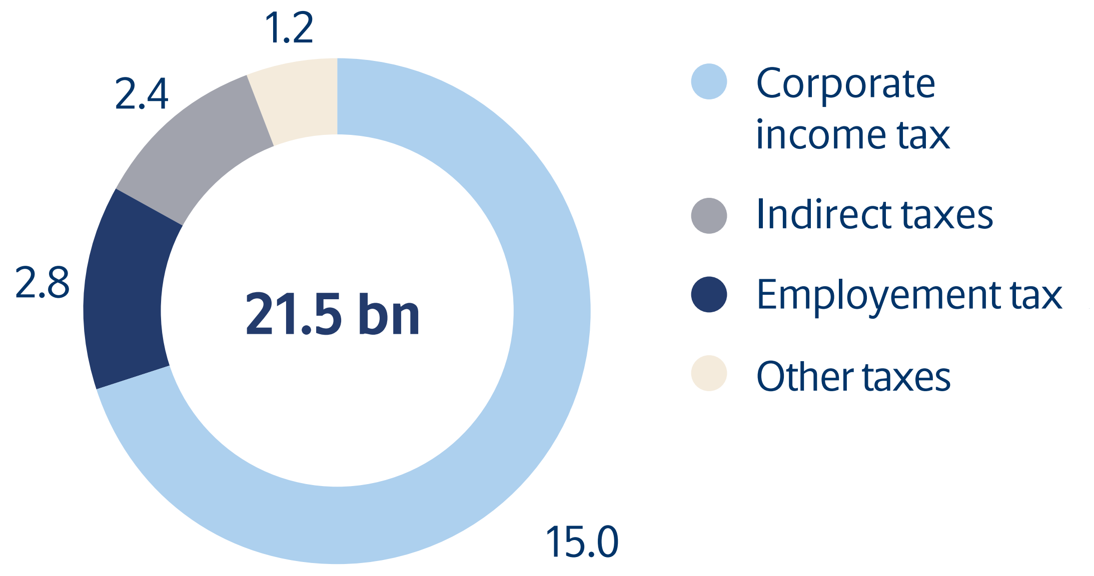
In 2022, the total tax contribution increased in all regions, except for Europe regarding taxes borne. The total increase in taxes borne is thus driven by other regions.

We expect that our total tax contribution will increase in 2023 and beyond due to increasing activities within the Novo Group companies.

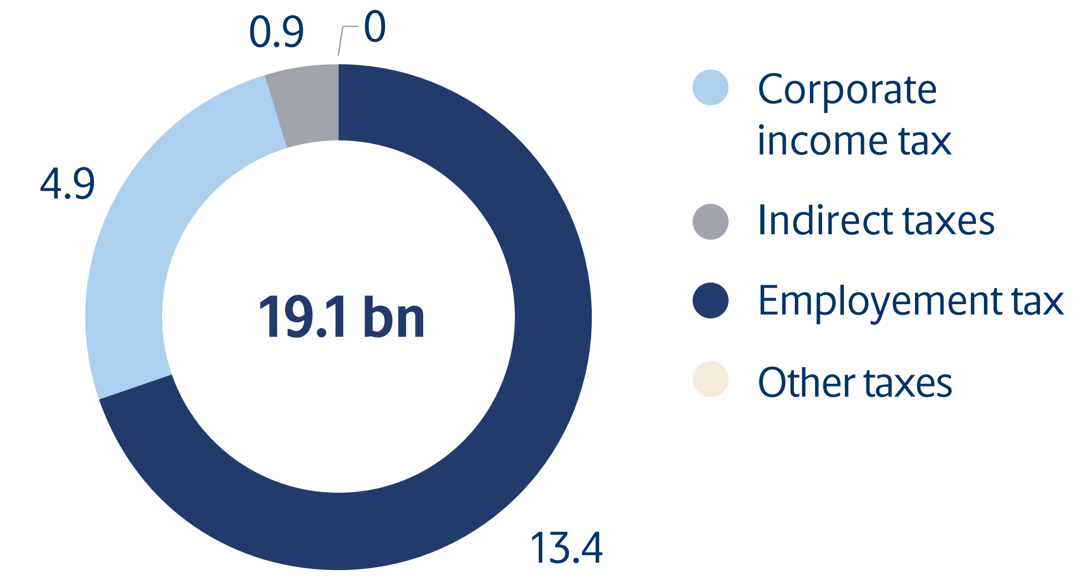
*Novo Group Companies include Novo Nordisk Group, Novozymes Group, NNIT Group, Altasciences Group, Ritedose Corporation Group, Sonion Group, Xellia Group, , KabaFusion Group, Dades, BBI Solution Group

DKK bn	Taxes borne	Taxes collected	Total
Europe	11.9	13.1	25
Asia	2.8	2.0	4.8
North America	5.3	2.8	8.2
South America	1.4	1.1	2.5
Africa	0.1	0.1	0.2
Total	**21.5**	**19.2**	**40.7**

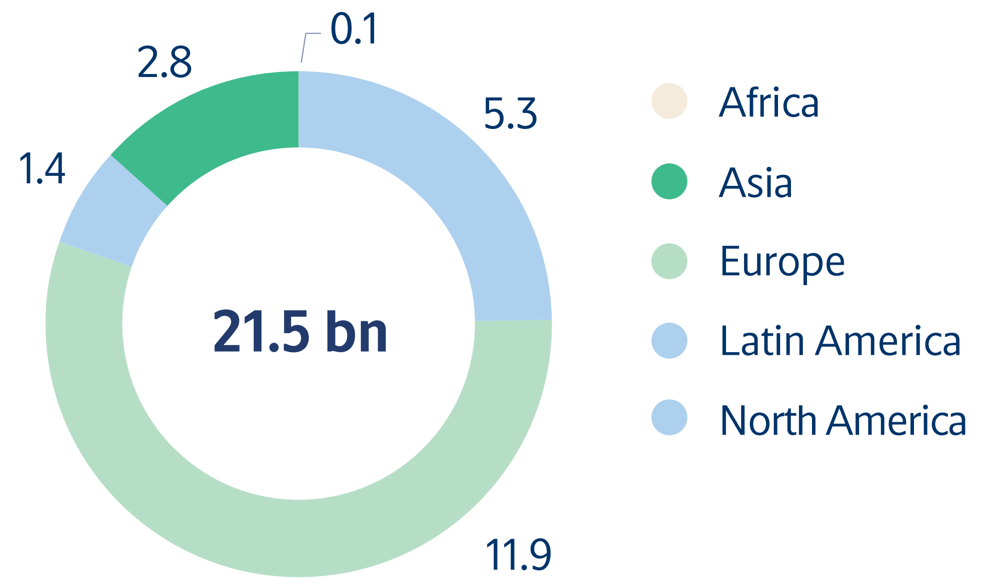
Taxes borne - by tax type 2022 DKK bn



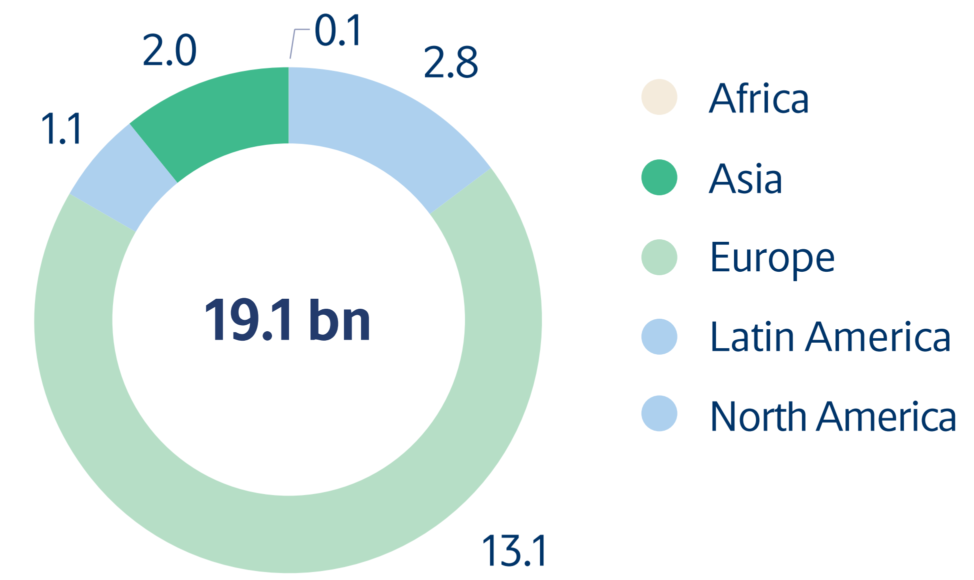
Taxes collected - by tax type 2022 DKK bn



Taxes borne - by tax Region 2022 DKK bn



Taxes collected - by tax Region 2022 DKK bn



Selected key data

- Novo Group total tax contribution for 2022 amounted to DKK 40.7 billion. This comprises the taxes Novo Holdings paid and collected based on our global operations.
- DKK 21.5 billion of taxes paid includes corporate taxes on profits as well as employer taxes and other direct and indirect taxes levied on our activities.
- DKK 19.2 billion of taxes collected includes taxes that we collected on behalf of others – for example customers, suppliers, and employees – and paid to tax authorities or governments.
- The Novo Group companies had operations in 74 countries in 2022 with Denmark as the biggest country in relation to both revenue and tax contribution. However, in comparison with 2021 and looking ahead, the proportion of taxes borne and collected allocated to Europe is likely to decrease and to spread to other regions.

Region-by-Region reporting

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 2022, our group have paid taxes of approx. 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 2022 and, going forward, will work towards increasing the level of details for the underlying countries. 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 for research and development activities, 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. This is applicable in most of the countries where we operate.

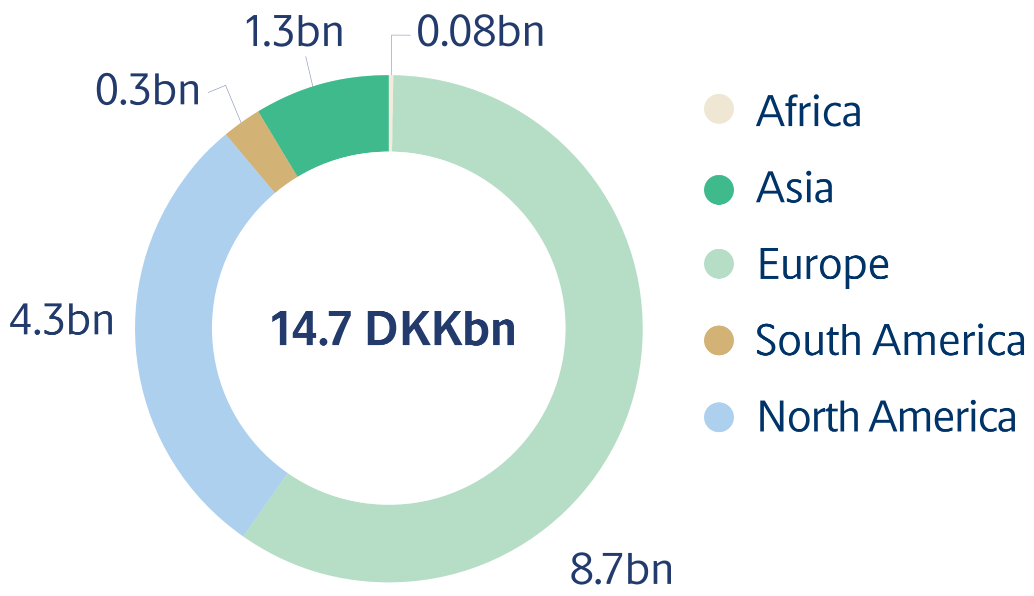
For 2025 and forwards, Country-by-Country (CbC) reporting will be publicly available to increase transparency within the multinational entities in Europe. The CbC report must be disclosed on the company website and filed in publicly accessible commercial registers. For Danish companies, the report must be sent in and disclosed in the publicly available. The new rules will apply for income years beginning 22 June 2024 or later.

The disclosed information will be the same as the today required information stated in the CbC reporting but with a couple of exemptions.

Within the Novo Group, we welcome the new and more transparent rules as we already strive to be transparent and a fair tax contributor. The annual tax report is published yearly on our website with a selection of information from the CbC report.

In DKK bn **Regions**	**Number of employees *(thousands)***	**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	34,39	44.8	185.0	229.8	58.5	8.7	10.1	71.7
Asia	25,27	33.0	21.1	54.1	1.5	1.3	1.3	6.8
North America	13,89	105.9	40.1	145.9	8.1	4.3	4.7	35.7
South America	2,91	10.7	2.8	13.5	0.7	0.3	0.2	1.1
Africa	1,65	5.7	1.6	7.3	-0.7	0.1	0.1	0.5
Total	**78,1**	**200.0**	**250.6**	**450.6**	**68.0**	**14.7**	**16.3**	**115.8**

Corporate tax paid per region (DKK million)



Appendix

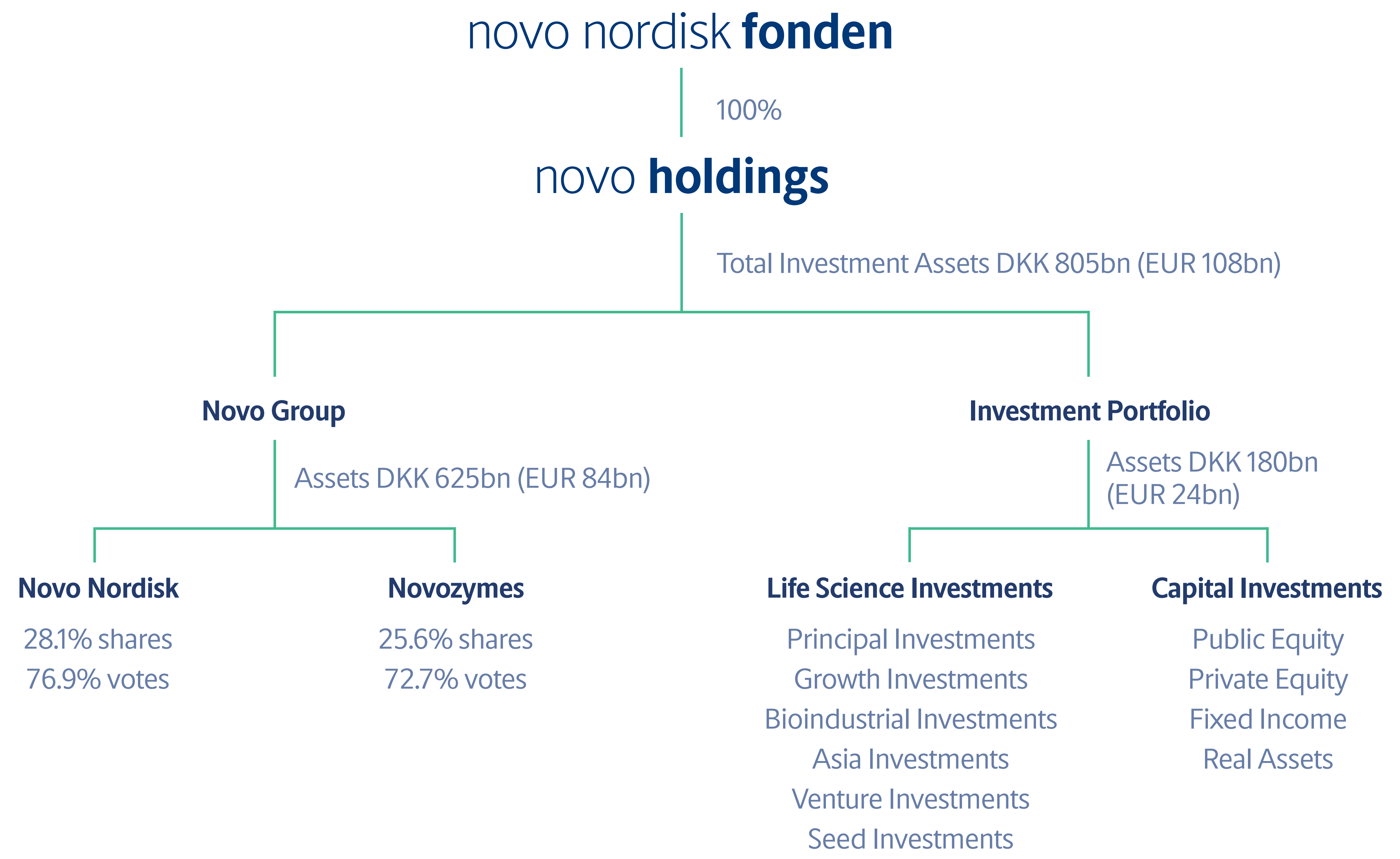
Tax definitions

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.



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