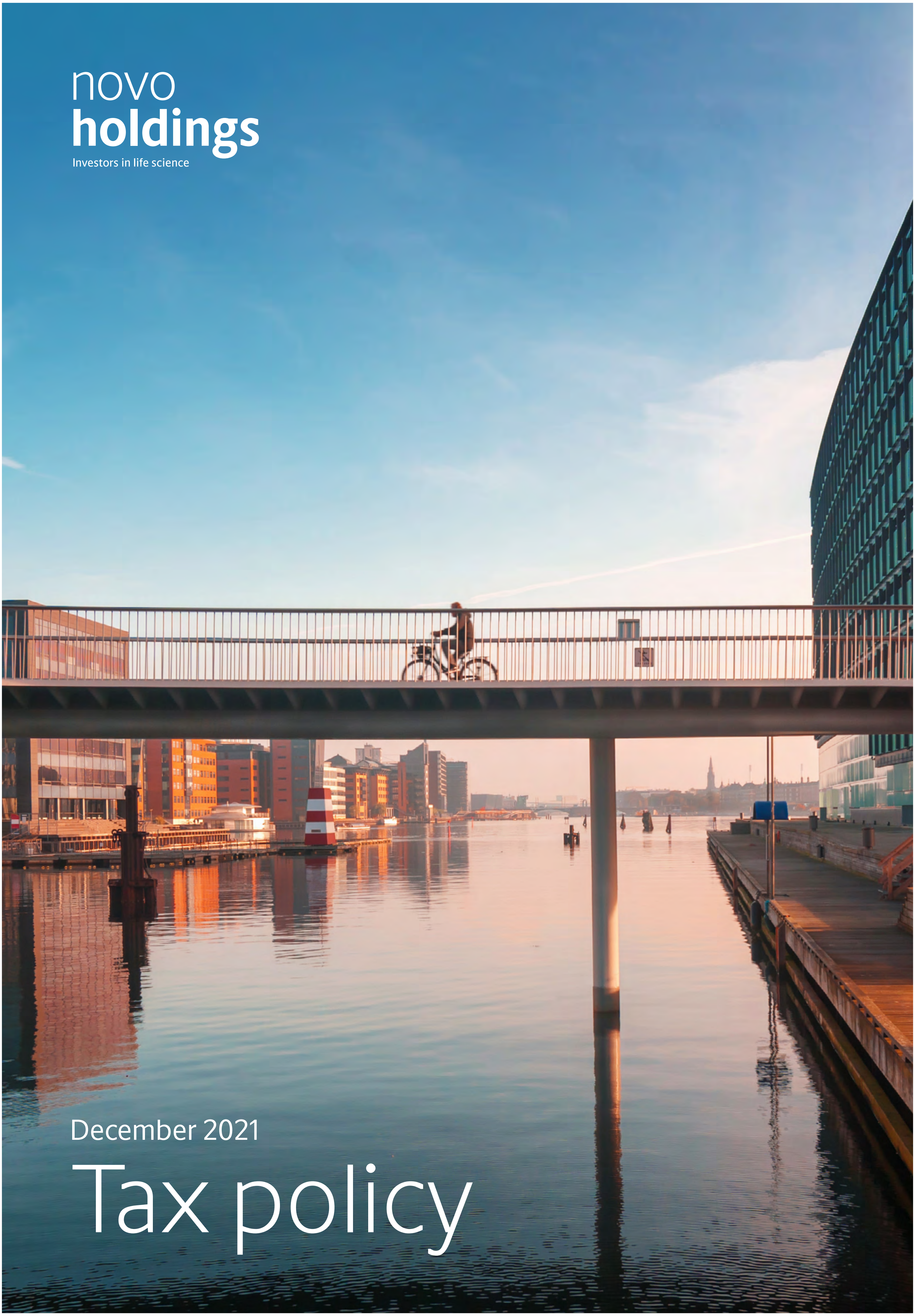
novo holdings
Investors in life science



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Tax policy

1. About Novo Holdings

Novo Holdings (hereafter referred to as 'NH') is a Danish private limited liability company wholly owned by the Novo Nordisk Foundation. Established in 1999, NH is the holding company of the Novo Group [1] and manages the Foundation's investment assets.

In addition to being the major shareholder in the Novo Group companies, NH invests the wealth of the Foundation within two key categories: 1) Life Science Investments, which covers investments in life science companies at all stages of development; and 2) Novo Capital Investors, which manages the investment assets outside life sciences.

The purpose of NH is to make a growing and positive impact on health, science, and society. Sustainability is integral to our business, and since NH is an investor with focus on creating long-term value, a key part of being sustainable is also to act responsibly when it comes to our tax affairs.

2. Values and Policies

NH's values underpin the NH culture of high performance combined with high responsibility and long-term thinking.

The NH corporate values: 'Performance', 'Respect' and 'Responsibility', naturally govern how NH manages its tax affairs, and the NH Tax Policy (hereafter referred to as 'the Tax Policy') and tax processes put these values into practice. The corporate values and policies combined govern how NH conducts its business and how NH engages with the community. Taxes are considered part of the societal responsibilities of NH, and the Tax Policy is therefore part of the overall Corporate Responsibility Policy for NH.

NH recognises the role that taxes play in society, and we acknowledge that businesses must have a responsible approach to handling tax matters to ensure sustainable societies.

3. Purpose of the Tax Policy

This document describes and explains the Tax Policy of the NH.

NH has a firm belief that responsible tax behavior is an important aspect of maximising the long-term investment value for NH. For this reason, NH has set a high level of ambition in the area of responsible tax and concentrate our efforts within five components which are considered crucial in achieving this ambition.

The purpose of the Tax Policy is to describe how taxes are viewed and managed by NH, and how tax risk is considered from an overall perspective. Moreover, the Tax Policy describes our expectations of our business partners and investments, including listed and unlisted companies with respect to tax matters.

The Tax Policy is inspired by the GRI Sustainability Reporting standard #207 regarding tax. Furthermore, the Tax Policy aim to be aligned with the B-Team principles on responsible tax. In addition, the Tax Policy is to be aligned with the tax policy approach taken by the largest Danish pension funds through the Tax Code of Conduct, to which NH is a signatory. NH will proactively monitor and assess potential changes to international standards and impact on the NH Responsible tax approach and adjust accordingly.

4. Scope of the NH Tax Policy

The Tax Policy applies to NH's internal operations as well as our approach towards all NH's investments. The Tax Policy applies to all investments made after 2020 which are assessed based on our internal operating procedure that sets out guidelines for consideration of tax diligence, tax risks, monitoring, etc. for investments. NH will continuously seek to align existing investments with updates to the Tax Policy.

The Tax Policy governs all taxes paid by NH and encompasses all tax matters that arise within NH. This includes tax risks and opportunities which arise within NH, including direct and indirect investments made by NH, unlisted and listed investments. The NH approach to responsible tax with respect to companies applies whether such investments are held directly or through fund managers (e.g., private equity funds). In practical terms, NH will carry out a screening process to ensure alignment with the Tax Policy.

5. Responsibilities and role of management

As part of NH's approach to responsible tax, NH's Board of Directors has adopted this Tax Policy. NH's Board of Directors is ultimately accountable for NH's compliance with it.

The NH Head of Tax is responsible for ensuring that the applicable Tax Policy is adhered to. The responsibility to implement appropriate tax governance measures is delegated to the NH Head of Tax, who is overseen by the NH CFO. The Head of Tax maintains an internal tax process and will ensure ongoing reporting to the Board of Directors on the progress and status of the responsible tax work.

If adjustments or modifications to the Tax Policy are considered necessary, it will be determined following an annual review. If such adjustments or modifications are needed, the NH Board of Directors will be presented with such proposals and ultimately asked for approval. The NH Head of Tax will report to the Board of Directors on the overall status with respect to responsible tax.

6. Main objectives of the NH Tax Policy

The overall goal of the Tax Policy is to handle all tax matters that arise within NH and in connection to our investments. The Tax Policy governs all taxes paid by NH, including corporate income tax, withholding taxes and consumption taxes such as VAT. The purpose of the Tax Policy is to maintain a responsible and robust tax approach with the following main objectives:

1. Mitigating tax risks by taking tax decisions on a transparent and informed basis.
2. Ensuring best effort to be in compliance with fiscal laws and regulations.
3. Striving to avoid any controversy with tax authorities in the jurisdictions where business is carried out and where investments are made and where controversy is inevitable to ensure collaborative interaction with tax authorities.

[1] Novo Nordisk and Novozymes

4. Only engaging in investment structures that are driven by commercial considerations and supported by economic substance which is not artificial (position on tax planning).

5. Being transparent about our approach to tax.

6. Ensuring that investments are made in a responsible manner, as reflected in explicit expectations for business partners and portfolio companies.

It is an overall goal of NH to ensure that tax matters do not prevent stable high returns and that NH acts in line with the overall values and policies of NH.

NH can justify a tax position when it is in line with the business operations and a technical assessment supports that this tax position is in line with the letter of the law, the intention of the law, or case law. NH will take reasonable steps to determine and follow the intention of the legislation.

Being 'responsible' implies doing business in a way that meets the expectations of a good corporate citizen. This means having a balanced tax risk profile and not engaging in aggressive tax planning (please refer to section 6.4), and moreover paying taxes where profits are earned in accordance with international transfer pricing rules.

The six NH key tax objectives are presented in greater detail below.

6.1 Management of Tax Risk
NH considers it essential in its investments to reduce tax risks which may affect the investment yield in a negative way.

Tax risk is defined as any exposure with respect to taxes (direct or indirect, cash or deferred including penalties and interest) that may result in costs which are unforeseen in financial forecasts and planning. A tax risk exposure may arise as a consequence of:

- non-compliance with existing tax legislation
- new legislation or case law etc. in any of the countries where business is carried out and where investments are made
- tax positions challenged by tax authorities in any of the countries where business is carried out and investments are made
- developments in business operations which may need special attention from a tax perspective
- corporate group structure and flow of funds, services and goods which may trigger a tax (e.g., a withholding tax) that could have been avoided or which were not foreseen
- costs or losses which may not be utilised (deducted) for tax purposes
- undesired accounting effects on tax positions in any of the countries where business is carried out.

In the execution of the investment activities of NH, it is important to make informed tax decisions where tax risks are assessed and mitigated. As such, NH takes an active approach to handling potential tax risks by identifying and assessing tax risks when making new investments.

NH will ensure that measures are taken to avoid that investment yields become subject to double taxation, and that foreign taxes which cannot be credited against Danish taxation are reduced. Moreover, NH will ensure efforts are made to minimise the risk of structures and transactions being challenged by tax authorities. In essence, this implies that investment structures should be robust and manageable as well as documentable in practice.

NH has a low tolerance for tax risks. When implementing business transactions, we aim to understand the tax implications and risks. When reviewing the risks of a tax decision or action, we always bear in mind the requirements of the NH Tax Policy, the legal and fiduciary duties of directors and employees, the maintenance of corporate reputation, the wider consequences of potential disagreement with tax authorities, and any possible impact in our relationship with them. However, being an international investor, NH is, to a certain extent, willing to accept uncertainty and risk as an unavoidable consequence of the business activities. Where tax laws allow for different interpretations or choices, NH will take the view or the choice that is most beneficial to the business, provided that this position is aligned with the corporate values and can be legally as well as morally justified and defended in accordance with this policy.

The vast majority of the NH inherent tax risks relate to investment activities. Therefore, the investments are consequently subject to significant control activities within the control framework of an internal tax process overseen by the Head of Tax.

In the execution of our investment activities, NH finds it important to make informed tax decisions where tax risks are assessed and mitigated. As such, NH takes an active approach to handling potential tax risks by identifying tax risks when entering into new investments.

NH shall ensure that a tax technical assessment is made at an appropriate level, based on the criteria set out in an internal tax process and, where deemed necessary by the NH Tax Team, obtain an external opinion, i.e., for major or complex transactions where a firm tax position is required. This would for example include situations where there is uncertainty about the interpretation or application of the tax legislation, or if the investment is particularly significant in economic terms. We will only adopt a tax position if we are able to explain it and are prepared to defend it.

NH should monitor the tax risk in all major jurisdictions as defined in the internal tax process where business is conducted. In addition to the above, NH will engage in an overall systematic monitoring of global tax policy developments that could impact our investments and exit opportunities.

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

1. Investment structure in a US partnership where offshore entities were con-templated for investments in Brazil and other countries in Latin America, with the purpose of avoiding taxation of capital gains
2. 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
3. Investment structures with intermediary holding entities with no or limited substance
4. Investment structures using holding entities in blacklisted jurisdictions

6.2 Ensure best effort being compliant

NH should make its best effort to comply with all tax regulations and disclosure requirements in all countries in which business is carried out and investments are made. The NH ambition is to apply best practices at all times regarding tax computation. NH will make use of local advisers as appropriate, as well as ensure that local finance and business managers are supported in their roles with respect to tax matters. NH must prepare and submit tax filings required in a timely manner.

If we discover errors in tax returns or correspondence with tax authorities, we disclose and correct them as soon as reasonably practicable after they are identified.

In areas where the applicable tax legislation is uncertain, NH will ensure to prepare an analysis to make an informed decision which is legally robust (i.e., justifiable and defendable). In this regard, advice from external advisors should be obtained if the law is unclear.

Complying with the fiscal laws and regulations implies that NH must take reasonable steps to determine the intention of the legislature and to interpret those fiscal rules consistent with that intention considering the statutory language and relevant, contemporaneous legislative history.

All intercompany transactions and dealings within the NH take place at arm's length terms, as defined by the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (2017) and the Report on the Attribution of Profits to Permanent Establishment (2010). NH will pay taxes where profits are earned in accordance with international transfer pricing rules. We expect that our portfolio companies follow the same guidelines and principles.

NH will continuously evaluate processes and controls to ensure that NH is compliant with the tax legislation and standards where business is carried out. The process entails that annual updates are provided by the Head of Tax and the progress on the responsible tax agenda is reported to the Board of Directors.

6.3 Avoid controversy and collaborative interaction with tax authorities

As a general rule, NH should strive to avoid any controversy with tax authorities in the jurisdictions where business is carried out and where investments are made. Consequently, NH will adopt a robust (i.e., justifiable and defendable) tax position where the tax regulations governing business transactions allow for different interpretations or choices.

NH will aim for all dealings with the tax authorities to be conducted in a collaborative, courteous and timely manner. NH will participate in tax audits in a collaborative, open and fair manner based on mutual respect, transparency and trust. NH will share with tax authorities what they have a legitimate right to see. Negotiations and settlements are made and based on principles in accordance with applicable legislation. However, NH does not accept aggressive and wholly or partly unjustified positions taken by tax authorities. If tax authorities take a position which NH finds technically and legally wrong or aggressive, NH will defend the chosen tax position in the judicial system.

6.4 Attitude towards tax planning

NH strives to only engage in investment structures that are driven by commercial considerations and supported by economic substance which is not artificial.

As part of a responsible tax behavior, NH believes that tax planning is acceptable with the purpose to ensure competitive yields and to reduce double taxation etc. Investments abroad often give rise to double taxation issues in relation to taxation of dividends, interests and capital gains (the return on investments). In these situations, NH seeks to avoid double taxation and ensure that NH only pays tax in the investment country (e.g., tax on dividends or interests), which is in accordance with the double taxation treaty entered into between Denmark and that country.

NH is a signatory to the Tax Code of Conduct initially adopted by several of the Danish pension funds. The Tax Code of Conduct clearly describes requirements and expectations towards external fund managers in relation to unlisted investments, and also covers what NH deems as acceptable non-aggressive tax planning and non-acceptable aggressive tax planning, respectively.

Referring to the Tax Code of Conduct, acceptable tax planning is exemplified by the following (the list is not exhaustive):

A. General use of holding companies

B. General use of available double taxation treaties where the business substance justifies the use of a specific double taxation treaty

C. General use of current and historic tax losses to reduce taxable income

D. General use of debt financing

E. Use of hybrid entities for non-aggressive tax planning

F. Structuring of transfer pricing setup in accordance with acceptable practices in jurisdictions where business is carried out and investments are made

This implies that non-aggressive tax planning is considered acceptable to ensure competitiveness and to avoid double taxation of the same income. Tax planning measures in NH should support the overall business and should only be undertaken in this context.

Concrete examples of unacceptable practices
- NH finds it acceptable to invest in partnership structures located in low tax juris-dictions, e.g., Cayman Islands, provided that such structures do not give the inves-tors a tax benefit that otherwise could not have been obtained.

- NH finds it acceptable to use debt financing to capitalise and optimise an invest-ment structure and obtain tax deductions for the interest expenses in accord-ance with the local interest limitation rules.

- NH finds it acceptable to use generally available tax incentive agreements, where the incentive is transparent and consistent with the statutory or regulatory framework and support socio-economical goals such as investment, employment and economic development .

NH should not engage in aggressive tax planning. Aggressive tax planning is defined as exploitation of technicalities in a tax regime or as exploitation of inconsistencies between tax regimes to reduce tax liability. In addition, NH considers aggressive tax planning to include transactions carried out solely or for the main purpose of obtaining a tax advantage, and where substance and form is misaligned. NH will not engage in aggressive tax planning or structuring, as exemplified below:

A. Abuse of tax treaties where holding companies are used for the sole purpose of reducing or avoiding withholding tax, and thus would likely not be in accordance with the OECD Principal Purpose Test (PPT)

B. Transfer pricing planning for tax avoidance purposes

C. Use of financial instruments for aggressive tax planning

D. Use of hybrid entities for purposes of aggressive tax planning

E. Use of highly leveraged acquisition structures in jurisdictions without general interest limitation rules in line with OECD/US principles, with the aim of reducing taxable income not in line with international market standards

Concrete examples of unacceptable practices
- NH finds it unacceptable to use individually negotiated tax incentive agreements.

- NH finds it unacceptable to structure carried interest payments for fund managers in a way that requalifies the tax treatment of such payments with the purpose of reducing the tax liability.

- NH finds it unacceptable to use financial instruments and hybrid entities if such structures result in tax a deduction without a correspondent taxation.

6.5 Provide transparency on tax matters

NH is committed to being open and transparent with respect to tax. NH supports the increased transparency and the international initiatives implemented by the European Union and the OECD towards increased transparency. In line with these principles, NH will exercise caution when investing in portfolio companies, and not invest in intermediary holding companies incorporated or tax resident in jurisdictions figuring on the EU list of non-cooperative jurisdiction in taxation matters (the EU Blacklist), as updated from time to time, and the corresponding OECD list, as updated from time to time.

As part of our responsible tax behavior, this Tax Policy is made publicly accessible.

NH will proactively prepare an overall assessment of total tax contributions globally for NH and Novo Group companies and in specific markets. NH will provide information to stakeholders about NH's position on taxation, including taxes paid and collected. This will include total tax contributions and country-by-country reporting, which will be made available to the public through our public tax reporting in the form of a special annual tax report – with the first version published end 2022, based on 2021 figures and information.

NH's business partners often require a high level of confidentiality, entailing that NH in general is not allowed to share information about the investment tax structures. However, NH will strive to be as transparent as possible.

NH engages in active dialogues with other investors and stakeholders on how to promote the responsible tax agenda nationally and globally.

6.6 Asset management - responsible investment

To ensure the best possible impact of the NH responsible tax approach, we have extended our main objectives to be applicable for all our investments, direct or indirect, listed and unlisted.

We communicate the NH demands to portfolio companies. Responsible tax is integrated into the tax due diligence process prior to investing, and we conduct subsequent monitoring through spot checks and subsequent monitoring of actual behavior among portfolio companies and external managers to ensure that NH's investments are made and act in accordance with the Tax Policy.

Just as NH refrains from engaging in aggressive tax planning, NH also expects that our portfolio companies and business partners will not engage in any form of tax planning that is in conflict with our Tax Policy.

We have similar expectations to investors that are co-investing with NH. Tax laws and the compliance controlling of the NH co-investors are, however, ultimately tax authority tasks, and NH is not able to take responsibility for or perform audits on the tax compliance of the conduct of the NH co-investors.

While the degree of influence NH has over investment structures varies, NH always seeks to ensure that portfolio companies, business partners, investments partners and external (fund) managers act in line with the NH Tax Policy. This includes clearly communicating the requirements and expectations as set out in the Tax Code of Conduct (please refer to below). In some cases, NH will formulate specific requirements regarding tax matters before an investment can be made and in other case only subsequent spot checks and inquiries are completed.

Ahead of investments, tax risks associated with the investment will be analysed as part of the due diligence process. The degree of influence NH have, and the level of tax risk associated with investments vary significantly (ownership share, local tax environment, industry, listed/unlisted etc.). In accordance with our internal tax process, the NH tax team will consider the appropriate level of tax due diligence to be applied, including where appropriate external tax opinion is to be obtained.

Prior to investment, a Tax Policy Compliance Statement will be issued and signed off by Head of Tax, Finance Director or CFO for each significant and/or highly complex investment.

NH has developed a tax screening process for listed investments, included in an internal tax process, which is used to monitor the behavior among the investee companies. If the screening process gives rise to concrete concerns, NH will conduct a more thorough investigation of the actual tax practices and behavior among the listed companies.

6.6.1 Investments into external fund managers

NH supports, agrees to and endorses the approach of the Tax Code of Conduct which is adopted by several Danish pension funds and institutional investors and which governs how the external fund managers – referred to as the Manager – in the investors' view should behave in the area of tax. This is solely of relevance to indirect unlisted investments.

NH will as investor endeavor to ensure that the Manager acts within the framework of the Tax Code of Conduct. However, this cannot be guaranteed as the degree of influence NH has over the Manager varies and depends on various factors, including whether NH constitutes a majority or minority investor. However, as investor NH expects the Manager to use best efforts to ensure compliance with applicable tax law and regulations within the jurisdictions in which the investments are made, and in such a way that consideration and foresight is given to tax law developments and international initiatives. NH expects the Manager to use best reasonable efforts to act in accordance with the Tax Code of Conduct and encourages the Manager to implement and/or maintain a tax policy.

NH expects the Managers to be transparent in relation to their approach to tax and further expects the Managers to engage cooperatively in dialogue with the investors. NH will carry out spot checks on the Managers' general tax practices and expects the Managers to cooperatively enter into a dialogue if it is found that the Managers do not act in accordance with this Tax Code of Conduct.