

Form for
“Statutory report on foundation governance, cf. section 77a of the Danish
Financial Statements Act”

Novo Nordisk Foundation
March 2022

Statutory report on foundation governance, cf. section 77a of the Financial Statements Act

Note!

The report is an integrated part of the management commentary in the annual report of the foundation for the following accounting period:

01.01.21 to 31.12.21

Recommendations on Foundation Governance

The foundation is covered by the Recommendations on Foundation Governance, which are available on the website of the Committee on Foundation Governance www.godfondsledelse.dk.

Recommendation	The foundation <u>complies</u>	The foundation <u>explains</u> ¹		
		<i>why</i>	<i>how</i>	
1. Transparency and communication				
1.1 It is recommended that the board of directors adopt principles for external communication that address the need for transparency and stakeholders' needs and possibilities to obtain relevant up-to-date information about the circumstances of the foundation.	<p>The Foundation complies with this recommendation.</p> <p>The Board of Directors has decided who can make public statements on behalf of the Foundation and on what matters.</p> <p>The Chair speaks on behalf of the Board of Directors about the Foundation's corporate interests. The CEO speaks on behalf of the Foundation about the grant policies and strategies decided by the Board of Directors and about all operational matters related to the Foundation's activities, while members of the leadership team speak on matters that fall within their areas of</p>			

¹ In case of lack of compliance with a recommendation, the foundation must explain *why* this recommendation was not followed and *how* the foundation has acted differently. An adequate explanation answers both questions and categorises the answer as being in compliance with the recommendation. It is therefore important that the foundation answer both questions in its explanation.

Recommendation	The foundation <u>complies</u>	The foundation <u>explains</u> ¹		
		<i>why</i>	<i>how</i>	
	expertise, including grants and publications.			
2. Tasks and responsibilities of the board of directors				
2.1 Overall tasks and responsibilities				
2.1.1 It is recommended that, in order to secure the activities of the commercial foundation in accordance with the purposes and interests of the foundation, the board of directors should, at least once a year, take a position on the overall strategy and distribution policy of the foundation on the basis of the articles of association.	The Foundation complies with this recommendation. The Board of Directors decides both the investment strategy and grant policy once each year. The Board of Directors also discusses how to implement the Foundation's ongoing role as a stable basis for the operating companies.			
2.1.2 It is recommended that the board of directors regularly address whether the foundation's asset management is in line with the purpose of the foundation and its long- and short-term needs.	At least once a year the board reviews and considers whether the foundation's asset management corresponds to its purpose and needs.			
2.2 Chairman and vice-chairman of the board of directors				

Recommendation	The foundation <u>complies</u>	The foundation <u>explains</u> ¹		
		<i>why</i>	<i>how</i>	
<p>2.2.1 It is recommended that the chairman of the board of directors organise, convene and chair meetings of the board of directors in order to ensure effective board work and to establish the best conditions for the work of the board members, individually and collectively.</p>	<p>The Foundation complies with this recommendation.</p> <p>The Chair and Vice Chair collaborate with the Directors in organising meetings of the Board of Directors which, among other things, are based on an annual wheel and a regular chairmanship meeting before the call for each board meeting is sent out. The Chair leads these meetings.</p>			
<p>2.2.2 It is recommended that if the board of directors, in exceptional cases, asks the chairman of the board of directors to perform special activities for the commercial foundation which extend beyond the duties of chairman, a board resolution to that effect be passed to ensure that the board of directors maintains its independent, general management and control function. Appropriate allocation of responsibilities should be ensured between the chairman, the vice-chairman, the other members of the board of directors and the executive board, if any.</p>	<p>The Foundation complies with this recommendation.</p> <p>The Chair and Vice Chair together comprise the Chairmanship and are responsible for organising the work of the Board of Directors.</p> <p>To the extent the Chair performs special tasks for the Foundation, the Board of Directors expects this will be authorised by a Board decision specifying the conditions to ensure that the Board retains its overall management and control function.</p>			
<p>2.3 Composition and organisation of the board of directors</p>				

Recommendation	The foundation <u>complies</u>	The foundation <u>explains</u> ¹		
		<i>why</i>	<i>how</i>	
<p>2.3.1 It is recommended that the board of directors regularly, and at least every second year, assess and stipulate the competences that the board of directors needs to possess in order to best perform the tasks incumbent upon the board of directors.</p>	<p>The foundation complies with this recommendation.</p> <p>The competence profile prepared by the Board of Directors specifies the criteria and competence requirements the members should fulfil to optimally perform the tasks for which the Board of Directors is responsible.</p>			
<p>2.3.2 It is recommended that, with due respect of any right in the articles of association to make appointments, the board of directors approves a structured, thorough and transparent process for selection and nomination of candidates for the board of directors.</p>	<p>The Foundation complies with this recommendation.</p> <p>The Nomination Committee identifies and nominates prospective members of the Board of Directors. The Nomination Committee presents a draft proposal for the process to the Board, keeps the Board informed of the status and presents the nominations for new members of the Board to the Board.</p> <p>The procedure for electing members of the Board of Directors under the Articles of Association precludes any public authority, external provider of grant money and any similar organization from appointing a member.</p>			
<p>2.3.3 It is recommended that members of the board of directors are appointed on the basis of their personal</p>	<p>The Foundation complies with this recommendation.</p>			

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		<i>why</i>	<i>how</i>	
<p>qualities and competences, taking into account the collective competences of the board, and when composing and nominating new members of the board the need for introducing new talent is weighed against the need for continuity and the need for diversity in relation to commercial and grants experience, age and gender.</p>	<p>Members appointed under the Articles of Association are elected at the Board meeting in March based on a nomination submitted in writing by the Nomination Committee. Members of the Board of Directors are elected based on their personal qualities and competences, considering the collective competences of the Board. Nominations consider the need for renewal, continuity and diversity. The Board of Directors has adopted a diversity policy which is available on the Foundation's website.</p>			
<p>2.3.4 It is recommended that in the management commentary in the annual report and on the commercial foundation's website, if any, there is an account of the composition of the board of directors, including its diversity, and that the following information is provided on each board member:</p> <ul style="list-style-type: none"> • the name and position of the member, • the age and gender of the member, • date of original appointment to the board whether the member has been re-elected, and expiry of the current election period, 	<p>The Foundation complies with this recommendation.</p> <p>The Foundation's website and 2021 annual report include information on the composition of the Board of Directors, including each member's name, affiliation, age, date first elected to the Board, whether the member has been re-elected, date the current election period ends, other managerial positions held, special competences and whether the member is considered independent including whether the member owns shares, options, warrants or similar in the</p>			

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<ul style="list-style-type: none"> • any special competences possessed by the member, • other managerial positions held by the member, including positions on executive boards, boards of directors and supervisory boards and board committees in Danish and foreign foundations, enterprises and institutions, as well as other demanding organisation tasks, • whether the member owns shares, options, warrants and similar in the foundation's subsidiaries and/or associated companies, • whether the member has been appointed by authorities/providers of grants etc., and • whether the member is considered independent. 	<p>foundation's subsidiaries and/or associated companies.</p> <p>The procedure for electing members of the Board of Directors under the Articles of Association precludes any public authority, external provider of grant money and any similar organization from appointing a member.</p>			
<p>2.3.5 It is recommended that the majority of the members of the board of directors of the commercial foundation are not also members of the board of directors or executive board of the foundation's subsidiary(ies), unless it is a fully owned actual holding company.</p>	<p>The Foundation complies with this recommendation.</p> <p>The majority of the members of the Board of Directors are not members of the executive boards of one of the Foundation's subsidiaries: no more than four of the nine members are members of the board of directors of a subsidiary company.</p>			

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	<p>Two members of the Foundation’s Board of Directors elected under the Articles of Association are members of the Board of Directors of Novo Holdings A/S. One of these is also a member of the Board of Directors of New Xellia Group A/S.</p> <p>One employee-elected member of the Foundation’s Board of Directors is a member of the Board of Directors of Novo Nordisk A/S, and another employee-elected member of the Foundation’s Board of Directors is a member of the Board of Directors of Novozymes A/S.</p>			
2.4 Independence				

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		<i>why</i>	<i>how</i>	
<p>2.4.1 It is recommended that an appropriate proportion of the board of directors be independent.</p> <p>If the board of directors (excluding employee representatives) is composed of</p> <ul style="list-style-type: none"> • up to four members, at least one member should be independent, • between five and eight members, at least two members should be independent, or • nine to eleven members, at least three members should be independent, and so on. <p>To be considered independent, this person may not, for example:</p> <ul style="list-style-type: none"> • be or within the past three years have been member of the executive board, or senior employee in the foundation, or an essential subsidiary or associated company to the foundation, • within the past five years have received larger emoluments, including distributions or other benefits from the foundation/group or a subsidiary 	<p>The Foundation complies with this recommendation.</p> <p>Two of the six members of the Board of Directors elected under the Articles of Association are considered independent.</p> <p>Management: Within the last three years, no one has been a member of the Executive Board or a senior employee in the foundation or a significant subsidiary or associated company to the foundation.</p> <p>Remuneration: Within the past five years, three board members have received major remuneration, including distributions or other benefits, from the foundation/group or a subsidiary or associated company to the foundation in a capacity other than as a member of the foundation's management. Lars Rebien Sørensen is not independent due to his position as Chair in Novo Holdings A/S. Steen Riisgaard is not independent due to his position as Deputy Chair in Novo Holdings A/S and Chair in New Xellia Group A/S. Lars Fugger is not independent due to his position as consultant to Novo Nordisk A/S.</p>			

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<p>or associated company to the foundation in other capacity than as member of the board of directors or executive board of the foundation,</p> <ul style="list-style-type: none"> • within the past year have had a significant business relationship (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management of companies with corresponding connection) with the foundation/group or a subsidiary or associated company to the foundation, • be or within the past three years have been employed or partner at the external auditor, • have been a member of the board of directors or executive board of the foundation for more than 12 years, • be a close relative of, or in some other way be especially close to, persons who are not considered independent, • be the founder or a significant donor if the purpose of the foundation is to grant support to this person's 	<p>Business relationship: Within the past year, no one has had a significant business relationship with the foundation/group or a subsidiary or associated company to the foundation.</p> <p>Auditor: No one is or has within the last three years been employed or as a partner with the foundation's external auditor.</p> <p>Seniority: No one has been a member of the foundation's management for more than 12 years.</p> <p>Family: No one is in a close family or is particularly close to otherwise persons who are not considered independent.</p> <p>Significant donor: No one is a founder or significant donor.</p> <p>Donations: One board member has since 1 December 2020 become a member of the management of the BII Foundation and the LIFE Foundation, which have received significant donations from the foundation within the past five years. MP is not independent due to her position as Vice Chair in the BII</p>			

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<p>family or others who are especially close to this person, or</p> <ul style="list-style-type: none"> be a member of the management of an organisation, another foundation or similar, which receives or repeatedly within the past five years has received significant donations from the foundation. 	<p>Foundation and in the LIFE Foundation.</p>			
2.5 Appointment period				
<p>2.5.1 It is recommended that members of the board of directors be appointed for a minimum period of two years and a maximum period of four years.</p>		<p>The Foundation does not comply with this recommendation.</p> <p>The election period of the members of the Board elected in accordance with the Articles of Association is 1 year, which provides a good opportunity to</p>	<p>It is not the intention to replace all board members annually.</p> <p>The Foundation is governed by a Board of Directors with nine members, of which six are elected under the Articles of Association and</p>	

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		coordinate the succession in the boards of the whole Novo Nordisk Foundation Group.	three are employee-elected members. The election period of the employee-elected members of the Board is 4 years.	
2.5.2 It is recommended that an age limit for members of the board of directors be set, which is published in the management commentary or on the foundation's website.	The foundation complies with this recommendation. In accordance with the Articles of Association, Board members can be re-elected until they reach the age of 75 years.			
2.6 Evaluation of the performance of the board of directors and executive board				
2.6.1 It is recommended that the board of directors establish an evaluation procedure in which the board of directors, the chairman and the contributions and performance of individual members are evaluated annually, and the result is discussed by the board of directors.	The Foundation complies with this recommendation. Each year, the Board of Directors evaluates the Board's work and the collaboration between the Board and the Executive Management. The Chairmanship facilitates the evaluation based on a questionnaire and discusses the results with the Board. In 2019, 2020 and 2021 the evaluation was facilitated internally.			

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		<i>why</i>	<i>how</i>	
<p>2.6.2 It is recommended that once a year the board of directors evaluate the work and performance of the executive board and/or the administrator (where relevant) in accordance with predefined clear criteria.</p>	<p>The Foundation complies with this recommendation.</p> <p>The Board of Directors evaluates annually the Executive Management as part of the evaluation procedure and on beforehand established criteria. Furthermore, the Chairmanship evaluates the Executive Management's work and results.</p>			
<p>3.1.1 It is recommended that the members of the board of directors of commercial foundations be remunerated with a fixed remuneration and that members of an executive board, if any, be remunerated with a fixed remuneration, possibly combined with a bonus which should not be dependent upon accounting results. The remuneration should reflect the work and responsibilities consequential to the position.</p>	<p>The Foundation complies with this recommendation.</p> <p>Members of the Board of Directors receive a fixed remuneration and are also remunerated for additional work: for example, as committee members. The remuneration Board members receive does not vary.</p> <p>The CEO receives fixed remuneration and a bonus for achieving previously agreed annual targets. These targets do not depend on the financial results. The remuneration reflects the work and responsibilities consequential to the position.</p>			
<p>3.1.2 It is recommended that the financial statements provide information about the full remuneration received</p>	<p>The Foundation complies with this recommendation.</p>			

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		<i>why</i>	<i>how</i>	
<p>by each member of the board of directors and any executive board from the commercial foundation and from the foundation's subsidiaries and associated companies. Furthermore there should be information on any other remuneration which members of the board of directors and any executive board have received for performing other work or tasks for the foundation, the foundation's subsidiaries or associated companies, except for the remuneration of employee representatives as employees.</p>	<p>The annual report provides information about the full remuneration received by the individual members of the Board of Directors and by the CEO from the Foundation, its subsidiaries and associated companies except for information about the remuneration received by the employee-elected members of the Board.</p>			