

Novo Nordisk Annual Report 2009

# Healthy reporting

By Aleksandra Dobkowski-Joy

**Novo Nordisk achieves a level of reporting maturity rarely seen even among today's sophisticated reporters**

Novo Nordisk is a sustainability reporting heavyweight. Mention integrated reporting to most investor relations and communications professionals, and they immediately break into a cold sweat. For Novo, reporting on financial and non-financial data in the same report is simply a business best practice. Integrated reporting is also a logical and necessary outgrowth of the Novo Nordisk way of management, which stresses a triple bottom line approach as the clearest method to balance compassion and competitiveness.

Novo's 2009 integrated report is thoroughly convincing from a business perspective. Novo zeroes in on current issues that blur financial, social, and environmental considerations, including the company's rapid growth and expansion, the changing global landscape of healthcare, and climate change developments that affect operational decision-making as surely as they influence the company's environmental approach. The leading interview with Lars Sørensen, Novo's chief executive, provides a strong strategic context for these and other key topics.

The defining characteristic of the report is its thoughtful and considered tone. Novo believes that its most significant contribution to society is improving access to and the quality of healthcare, in a way that minimises environmental impacts.

Novo speaks out in what could be seen as controversial terms. For example, the company expresses its disappointment in the lack of substantive outcomes from the December 2009 COP15 meeting on climate change. The company says that for a global business, a clear signal on carbon reduction targets would have been very helpful.

Novo is certainly not waiting around for a global climate accord, however. In one of the more intriguing statements in the report, Novo claims that it has "decoupled growth in CO<sub>2</sub> emissions from business growth". Although that claim is readily borne out by this year's data (which shows Novo well ahead of its absolute carbon emissions reductions goal), readers will certainly look to verify Novo's statement in future years.

In a similarly outspoken way, Novo tackles the issue of access to medicine in poorer countries. The company outlines a detailed argument for why giving medicines away for free is simply not sustainable. Novo follows up on this intelligent and nuanced discussion by describing its differential pricing structure for countries defined as least developed by the

United Nations. The company also highlights its support of the World Diabetes Foundation, an organisation Novo founded in 2001 and which currently operates in 90 countries to promote improved diabetes care in the developing world. Novo links the foundation's work in building healthcare infrastructure and services to the United Nations Millennium Development Goals, further establishing global context and significance for specific company-related activities.

Novo exemplifies a leadership approach in setting absolute (rather than relative) reduction targets for carbon emissions, water use, energy consumption and waste. Yet having solidly exceeded several of these goals, Novo declines to specify whether it will adjust targets to account for its rapid success.

## Sustainable growth

Where Novo plays more to its strengths is in demonstrating attention to company culture. Novo expanded its workforce by several thousand in 2009 and expects to do the same in each of the next few years. Given that Novo's global workforce is already close to 30,000, an influx of several thousand a year could threaten Novo's traditional values and its ability to deliver on its commitment to the triple bottom line.

Novo is nothing if not prepared. More than 10% of the workforce was directly interviewed in 2009 to determine how corporate values are being lived. As a result, interview facilitation teams provided extensive recommendations to management on how Novo could continue to maintain strength of culture in the face of rapid expansion. It is fairly certain that one of these recommendations is to keep the practice of maintaining executive-level accountability by allocating executive bonuses partly according to whether sustainability targets have been achieved.

Perhaps Novo's contemplating, addressing and integrating sustainability into company core values and operations stems from its comfort with very long time-horizons. Drug development pipelines are notoriously protracted and launching medication is often frustratingly uncertain. For those wrestling with the complexities of sustainability, these parameters – long, difficult, and uncertain – sound awfully familiar.

Despite these conditions, Novo is thriving, judged by examination of any of its triple bottom lines. In doing so, it provides hope not only for the patients it serves, but for any company looking to anchor its future in an integrated approach to financial and sustainability performance. ■



## Snapshot

**Follows GRI?** Yes. Novo claims "in accordance" reporting and provides a full online GRI index.

**Assured?** Yes, based on AA1000 and its three principles of inclusivity, materiality and responsiveness.

### Materiality analysis?

Novo cites the AA1000 materiality test and provides a general process description online.

**Goals?** Yes

**Targets?** Yes

**Stakeholder input?** Yes

**Seeks feedback?** Yes

**Chief strength:** Confident, mature and integrated reporting approach.

**Chief weakness:** Lack of new environmental targets.

**Pleasant surprise:** Chief executive's statement about Novo's disappointment over the COP15 meeting's failure to produce clear CO<sub>2</sub> reduction targets.

*Novo exemplifies a leadership approach in setting absolute reduction targets for several environmental areas*

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