

Novo Nordisk, 12/15/11

Name: Susan Blesener

Title: Director Corporate Accountability

Organization: Novo Nordisk

Country: Denmark

E-mail: sblrnovonordisk.com

Key Points

If you wish to express any key points, or to emphasise particular aspects of your submission, or add comments in the nature of a covering letter, then the following space can be used for this purpose.

Novo Nordisk believes that agreement on how to move from reporting silos to integrated reporting is very important and we have been pleased to be part of discussions related to this process.

We see the objectives of integrated reporting as having external and internal dimensions.

*Increase accountability to all stakeholders (to those with a financial stake in company performance as well as those without)

*Increase internal accountability for achieving performance objectives

In our experience, the primary benefit of integrated reporting is that it allows a company to better understand, manage and report on multiple dimensions of value. We believe this can help companies make better decisions and to manage businesses in a way that creates shared value. The primary objective, therefore, is about value.

The IIRC discussion paper describes integrated reporting as bringing together information 'in a way that reflects the commercial, social and environmental context.' Because integrated reporting is about value, it is more than a communication process. The process of assessing multiple dimensions of value has led us to push the boundaries of non-financial accounting. To truly integrate reporting and performance management, we believe that accounting systems and standards must evolve to better capture social value and environmental externalities.

Where we see great value in IIRC's work

The IIRC proposal includes a suggestion for reporting on multiple types of capital. This involves moving beyond looking at financial capital and natural resource consumption to reporting on the use and creation of social and intellectual capital. We applaud the intent behind this suggestion. As a pharmaceutical company, it is imperative that we find ways to measure and manage the creation of social value. While we believe that the IIRC is moving in the right direction with an emphasis on multiple dimensions of capital, this direction will become more fruitful as non-financial accounting becomes more mature and robust.

In addition, we are pleased that the IIRC process has created a dialogue about materiality frameworks for integrated reporting. Integrated reporting should be more than combining or stapling together financial and sustainability reports. Integrating materiality frameworks is one key to truly transforming corporate reporting for the benefit of all report users.

Q1a Do you believe that action is needed to help improve how organizations represent their value-creation process? Why/why not?

Not necessarily. Investors are not confused about how individual companies create value. This process will only improve when social accounting takes a significant step forward. Until that time, shared value will be difficult to capture and assess.

Describing the value creation process in words will just result in more spin and public relations.

Q1b Do you agree that this action should be international in scope? Why/why not?

Different societies have different expectations for businesses. An international platform can be helpful to create a baseline and drive standardisation, but sometimes innovation happens best in small pockets. (Like South Africa.)

Q2 Do you agree with the definition of Integrated Reporting on page 6? Why/why not?

No. Bringing information together is combined reporting, not integrated reporting. Integrated reporting is about the process of dynamic value creation. This is missing from the definition--it is not clear how integrated management adds value.

Q3 Do you support the development of an International Integrated Reporting Framework? Why/why not?

Yes. Financial reporting is not enough, other dimensions of reporting are now critical. However, it should be principal based, not rule based.

Q4a Do you agree that the initial focus of Integrated Reporting should be on reporting by larger companies and on the needs of their investors? Why/why not?

Yes. It's really investors who will drive change. Small companies will only invest in reporting when they see a need to report as part of supply chains.

Q4b Do you agree that the concepts underlying Integrated Reporting will be equally applicable to small and medium enterprises, the public sector and not-for-profit organizations?

No. Integrated reporting is about integrated management. Management and value assessment do not work in the same way in the public and private sectors.

Q5 Are: (a) the organization's business model; and (b) its ability to create and sustain value in the short, medium and long term, appropriate as central themes for the future direction of reporting?

Why/why not?

No. In my experience very few companies manage for the long-term, and investors are really not interested. I also think that the disclosure risks of extreme unknowns are deeply problematic. There is no upside to disclosing thoughts about a very long term future.

Q6 Do you find the concept of multiple capitals helpful in explaining how an organization creates and sustains value? Why/why not?

No. Most CFOs go ballistic at this idea. Capital is money. Period.

Q7 Do the Guiding Principles identified in the Discussion Paper provide a sound foundation for preparing an Integrated Report – are they collectively appropriate; is each individually appropriate; and are there other Guiding Principles that should be added? Why/why not?

They are good I think.

Q8 Do the Content Elements identified in the Discussion Paper provide a sound foundation for preparing an Integrated Report– are they collectively appropriate; is each individually appropriate; and are there other Content Elements that should be added? Why/why not?

Future outlook is potentially quite problematic, particularly for companies listed in the US.

Q9a From your perspective: Do you agree with the main benefits as presented in the Discussion Paper? Why/why not?

No. The main benefit relates to the value graph on p 4. The importance of exploring the gap between book and market value is critical. This is not given enough weight.

Q9b From your perspective: Do you agree with the main challenges as presented in the Discussion Paper? Why/why not?

No. The main challenges involve underdeveloped non-financial accounting. What gets measured is what is managed. We do not have the right tools to measure dynamic value creation. It's an accounting weakness.

Q9c From your perspective: Do you agree that Integrated Reporting will drive the disclosure of information that is useful for integrated analysis (from the perspective of investors)? Why/why not?

Not necessarily. Integrated reporting can contribute. But as described in the IIRC paper, we are still in a qualitative phase that looks more like combined reporting. Integrated analysis requires much more robust data.

Q10a Do you agree that the actions listed in the Discussion Paper should be the next steps undertaken by the IIRC? Why/why not? Are there other significant actions that should be added?

I think what IIRC is doing is a good start.

Q10b What priority should be afforded to each action? Why?

I don't think the focus on measurement should be externalities, it should be on measuring multiple dimensions of value.

I'm not sure harmonisation is so important. This can kill innovation and innovation is how you get to something better.

Q11 Do you have any other comments that you would like the IIRC to consider?

Blank