

Measuring contributions to society

Novo Nordisk's business strategy aims to contribute to society in those areas where the company has outstanding knowledge and expertise. Access to health, ethical business practice, supply chain management and environmental management at all production sites are important for the institutional framework within which the markets work. The footprint model and the cash value distribution on the opposite page illustrate the relationship between Novo Nordisk and its economic stakeholders and their roles as drivers of economic activity in society.

The principles of economics have been justified by the success of the market economy, growth and societal wealth creation. Economic growth and trade combined with foreign investments that create employment are important factors in capacity building globally. Social indicators, though, show that the created wealth is unevenly distributed. In poor communities, investments and tax contributions are but one aspect of responsible business. Market failure, inadequate information and lack of societal institutions impede the workings of economic stakeholder mechanisms, in particular in the developing world. Performance-based principles, such as those developed by the Global Reporting Initiative, in conjunction with government regulation may be a way to ensure that the market economy is working for everyone.

Direct and indirect local and global impact

To show the indirect impact of Novo Nordisk in Denmark (2004), we have estimated the indirect employment created by our production and by employees' consumption in Denmark and globally. The indirect effects are estimated by using production multipliers for the pharmaceutical industry and consumption multipliers from Statistics Denmark. A total of 11,839 direct jobs in Denmark translated into 42,673 global jobs in the supply chain due to production needs and the private consumption of employees in Denmark. The value of the jobs in Denmark is DKK 9.9 billion and DKK 3.9 billion in income taxes.

Key indicators of the company's direct economic and geographical impact are reported on page 53. Measured by sales, Novo Nordisk is the 11th largest Danish company. Most production facilities, 58% of the employees measured in full-time equivalents (FTE) and 88% of tangible assets are in Denmark. From 2003 to 2004, sales grew by 11%. 99% of sales are outside Denmark: 43% in

Europe, 26% in North America, 15% in Japan & Oceania and 16% in International Operations. 36% of the cash from customers goes to suppliers, who are primarily located in Denmark: The employee base (FTE) grew by 8%, primarily in North America (23%) followed by International Operations (19%) and Japan & Oceania (8%). 34% of the cash-added value was remuneration, mainly in the developed world, and particularly in Denmark. In 2004, total corporate taxes constituted 8% of sales. In Denmark 13% is paid as local taxes and 87% as state taxes. Most investors are Danish (59%), North American (25%) or British (13%). An estimated 60% of employees own a total of 1% of the shares.

Value of knowledge and investments

Novo Nordisk's greatest value is societies' expectations of future products and solutions. This value originates from the skills, expertise and competences of the people at Novo Nordisk and is, although difficult to measure, of benefit to individuals as well as society. A rough measure of current values is wage share (54%) of the value added per employee (DKK 908,772 or USD 151,666). Expenditure on R&D is an important capacity builder for society and source of innovation creating future wealth for Novo Nordisk. The wage share (39%) of R&D is an indication of the company's impact as a capacity builder in the community. The level of investment is a measure of the company's future economic capacity. In 2004 Novo Nordisk invested DKK 3 billion in new production facilities, primarily in Brazil, Denmark, France and the US, as compared with DKK 2.3 billion in 2003.

Contribution to society locally and impact globally

Measured as a share of Danish GDP, turnover in 2004 accounted for 2%, a rise from 1.9% in 2003. In 2004 economic contribution to overall economic wealth for society through the value added was 1.5% of Gross Value Added (GVA), 3.9% of Danish exports and 0.5% of Danish employment. In 2004 Novo Nordisk accounted for 4.3% of Danish corporate taxes and Novo Nordisk's employees accounted for 0.6% of total Danish income tax.

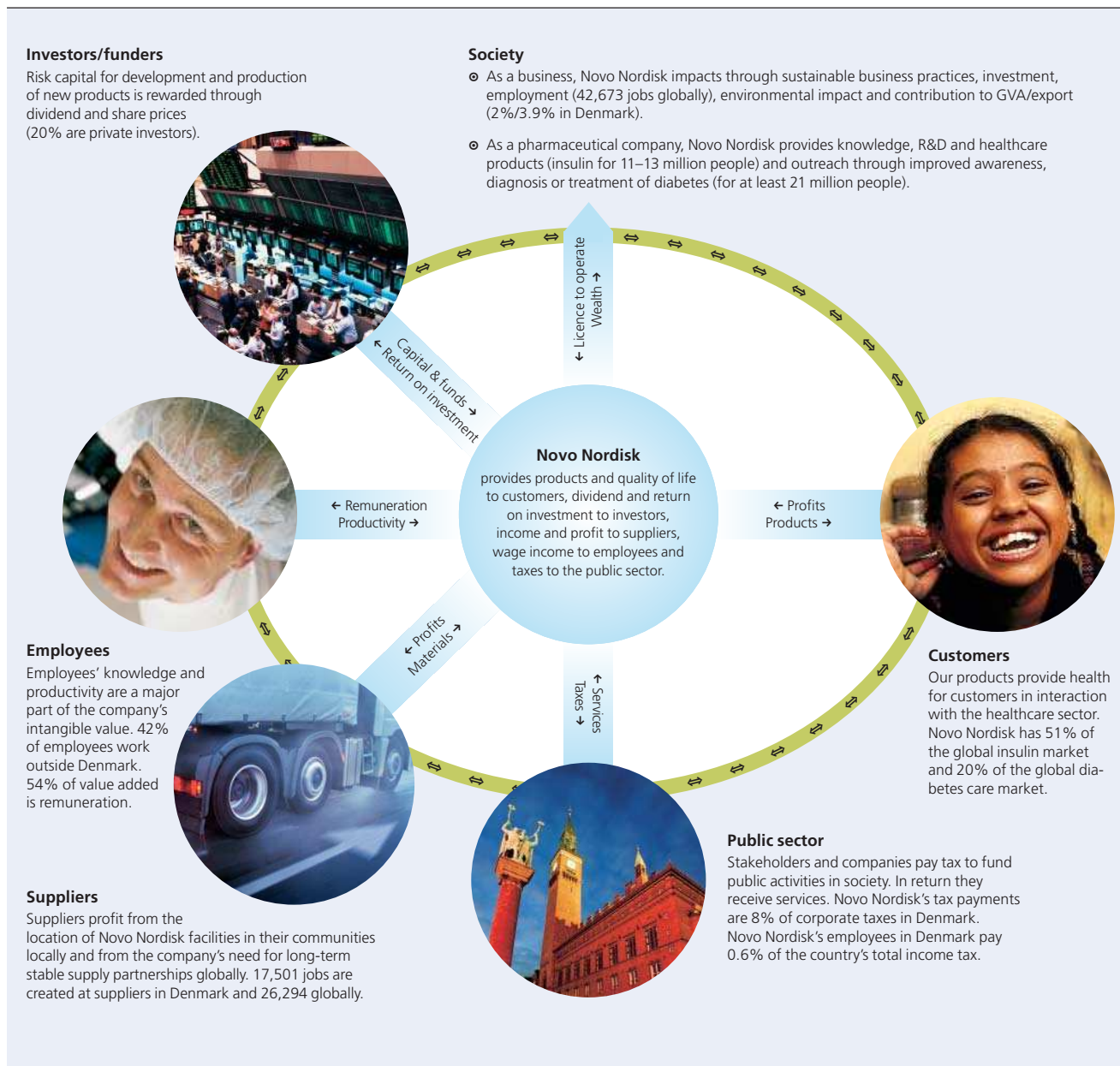
The company's impact on society through the value of products may be illustrated through the number of people reached globally. Novo Nordisk serves 20% of the diabetes care market and with an insulin market share of 51%, supplies insulin to 11–13 million people globally. These are primarily people with diabetes in the developed world, but Novo Nordisk is also supplying 3–5 million people in the developing world, in many countries as the only provider of insulin. The burden of diabetes is forecast to worsen in the future. It is not enough for companies to contribute to access to health in the developing world; products must be affordable and income must be generated in the local economies to generate funds for a sustainable healthcare system. During 2004 Novo Nordisk created new jobs and income opportunities both in China (118) and Brazil (253).

See the indicators of current and future global health at novonordisk.com/annual-report-2004 and read more about the effect of creating jobs and income in the developing world. *

IMPACTS (2004)	Jobs	Income	Tax
		DKK billion	DKK billion
Direct impact in Denmark	11,839	5.0	2.1
Indirect impact: suppliers	17,501	4.1	1.5
Indirect impact: employees	3,476	0.8	0.3
Impact in Denmark	32,816	9.9	3.9
Impact globally	42,673	–	–

Novo Nordisk's economic stakeholder model

This model illustrates Novo Nordisk and its economic stakeholders and the interactions that drive economic growth in well-developed societies. When, for instance, investors provide risk capital so that Novo Nordisk can develop new products, it will benefit customers, employees and suppliers. For customers, in turn, the products from Novo Nordisk improve their ability to contribute to society. When employees, suppliers and investors spend their income to buy goods and services and make investments, they too contribute to wealth generation in society. And in their capacity as citizens in the local and global community, all economic actors pay taxes to the public sector in return for services. Our sustainable business practices are mechanisms that improve the outcome of the market economy model. The interactions and multiplier effects are illustrated by the green circle linking the stakeholders.



CASH VALUE DISTRIBUTION (2004)

		DKK million	Cash received	Cash-added value
Customers	a: Cash received for products and services (from sales)	28,754	100%	
Suppliers	b: Cash payments for materials, facilities and services ¹⁾	10,320	36%	
Company cash	Cash-added value (a minus b)	18,434		100%
Employees	c: Remuneration	9,872	34%	54%
Investors/funders	d: Dividend and interest payments	3,560	13%	19%
Public sector	e: Taxes	2,866	10%	16%
Management	f: Future growth	2,136	7%	11%

¹⁾ Cash payments outside Novo Nordisk. The figure includes cash received from licence fees, realised exchange rate gains and interest income.