

Statutory Corporate Governance Report for 2014, cf. art. 107b of the Danish Financial Statements Act

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This Statutory Corporate Governance Report (hereinafter "the Report") covers the period 1 January 2014 – 31 December 2014 and is prepared pursuant to art. 107b of the Danish Financial Statements Act. The Report forms part of the management's review in the Annual Report for 2014. Appendices 1 and 2 are not part of the auditor's certificate in the Annual Report.

Corporate Governance recommendations and practices

As an international company listed on the stock exchanges in Copenhagen and New York, Novo Nordisk is subject to the Danish Corporate Governance Recommendations designated by Nasdaq Copenhagen, and – as a foreign listed private issuer – to the Corporate Governance Listing Standards on New York Stock Exchange as stated in the Listed Company Manual.

The Danish Corporate Governance Recommendations were updated in November 2014. Novo Nordisk is in compliance with all but the following three recommendations:

- The Board of Directors has not established a remuneration committee (the Board of Directors has decided that a remuneration committee will be established in 2015).
- Current executive employment contracts allow in some instances for severance payments of more than 24 months' fixed base salary plus pension contribution.
- The majority of the Nomination Committee's members are not independent but consists of two members who are not independent, including the Chairman, and two members who are independent.

As a foreign listed private issuer Novo Nordisk is in compliance with the corporate governance standards of the New York Stock Exchange, where Novo Nordisk's ADRs are listed.

For a review of Novo Nordisk's deviations from the applicable recommendations, please see Appendices 1 and 2.

Management and board committees

The company has a two-tier management structure consisting of the Board of Directors and Executive Management. The Board of Directors supervises the performance of the company and ensures adequate management and organisation. It also participates in determining the company strategy. Executive Management, in turn, has responsibility for the company's daily operations. The two bodies are separate, and no one serves as a member of both.

Board of Directors

On behalf of the shareholders, the Board of Directors determines the overall strategy and follow up on its implementation, supervises the performance and ensures adequate management and organisation and as such actively contributes to developing the company as a focused, sustainable, global pharmaceutical company. The Board of Directors supervises Executive Management in its decisions and operations. The Board of Directors may also issue new shares or buy back shares in accordance with authorisations granted by the general meeting and recorded in the minutes.

The guiding principle in composing the Board of Directors is that it should comprise individuals whose particular knowledge and experience enables the Board of Directors as a whole to attend to the interests of shareholders, employees and other stakeholders. The Board of Directors has 11 members, seven of whom are elected by shareholders at general meetings and four by employees in Denmark.

In 2014, the Board of Directors conducted seven Board meetings. All members attended four of the seven meetings, whereas one Board member was excused from each of the three other Board meetings.

In March 2014 the shareholders elected the following members to the Board of Directors:

- Göran Ando (Chairman of the Board of Directors and Chairman of the Nomination Committee)
- Jeppe Christiansen (Vice Chairman of the Board of Directors)
- Bruno Angelici (Member of the Board of Directors and member of the Nomination Committee)
- Liz Hewitt (Member of the Board of Directors and member of the Audit Committee and member of the Nomination Committee)
- Thomas Paul Koestler (Member of the Board of Directors)
- Helge Lund (Member of the Board of Directors and member of the Audit Committee)
- Hannu Ryöppönen (Member of the Board of Directors and Chairman of the Audit Committee)

In 2014 the employees elected the following members to the Board of Directors (elected for a four-year term):

- Liselotte Hyeved (Member of the Board of Directors – employee representative)
- Anne Marie Kverneland (Member of the Board of Directors – employee representative)
- Søren Thuesen Pedersen (Member of the Board of Directors and member of the Nomination Committee – employee representative)
- Stig Strøbæk (Member of the Board of Directors and member of the Audit Committee – employee representative)

Chairmanship

The Annual General Meeting directly elects the Chairman and Vice Chairman of the Board of Directors.

In 2014, the Chairmanship conducted seven meetings. The Chairman attended all meetings. The Vice Chairman was excused from one meeting.

The Chairmanship carries out administrative tasks, such as planning board meetings to ensure a balance between overall

1. In Danish "Lovpligtig redegørelse for virksomhedsledelse, jf. årsregnskabslovens §107b".

2. The Danish Corporate Governance Recommendations can be found at: http://corporategovernance.dk/gældende_anbefalinger

3. NYSE Corporate Governance Listing Standards can be found at: <http://usequities.nyx.com/regulation/listed-companies-compliance/corporate-governance>

strategy-setting and financial and managerial supervision of the company. Other tasks include reviewing the fixed asset investment portfolio and recommending the remuneration of board members and executive management.

In practice, the Chairmanship has up till now had the role and responsibility of a remuneration committee though the Board of Directors has decided to establish a remuneration committee in 2015.

At the March 2014 annual general meeting, the shareholders re-elected the Chairman, Göran Ando, and the Vice Chairman, Jeppe Christiansen.

The Nomination Committee

In 2013, in order to enhance the process for nominating members to the Board of Directors, the Board of Directors established a Nomination Committee.

The Nomination Committee conducted 6 meetings in 2014 (excluding interviews with candidates). All members participated in all meetings except for one meeting where one member was excused.

The Nomination Committee has four members elected by the Board of Directors from among its members. One member is designated as Chairman.

The Board of Directors has in 2014 elected the following to the Nomination Committee:

- Göran Ando (Chairman; not independent)
- Bruno Angelici (Member; independent)
- Liz Hewitt (Member; independent)
- Søren Thuesen Pedersen (Member; employee representative; not independent)

According to the Danish Corporate Governance Recommendations a majority of the members of the Board of Directors shall qualify as independent. The Nomination Committee consists of two members who are not independent, including the Chairman, and two members who are independent. Hence, the composition of the Nomination Committee does not conform to the Danish Corporate Governance Recommendations. This is due to the fact that the Board of Directors finds that the composition of the Nomination Committee allows for both a representative of the majority shareholder as well as an employee representative being on the Nomination Committee while maintaining the Nomination Committee small.

The Nomination Committee assists the Board of Directors with oversight of a) the competence profile and composition of the Board of Directors, b) nomination of members of the Board of Directors, c) Nomination of Board of Directors committees, and d) other tasks on an ad hoc basis as specifically decided by the Board of Directors.

Audit Committee

The Audit Committee has four members elected by the Board of Directors from among its members. One member is designated as Chairman.

In 2014, the Audit Committee conducted four meetings, all hosted in Denmark.

Three members qualify as independent and have been designated as financial experts as defined by the US Securities and Exchange Commission (SEC). Under Danish law, three members qualify as financial experts and as independent.

The Board of Directors has in March 2014 elected the following to the Audit Committee:

- Hannu Ryöppönen (Chairman of the Audit Committee)
- Liz Hewitt (Member of the Audit Committee)
- Helge Lund (Member of the Audit Committee)
- Stig Strøbæk (Member of the Audit Committee and employee representative)

The Audit Committee assists the Board of Directors with the oversight of a) the external auditors, b) the internal audit function, c) the procedure for handling complaints regarding accounting, internal accounting controls, auditing or financial reporting matters and business ethics matters, d) financial, social and environmental reporting, e) business ethics compliance, f) post-completion reviews and post-investment reviews of investments, g) long-term incentive programmes, h) IT security, and i) other tasks.

Executive Management

Executive Management is responsible for the day-to-day management of the company. In 2014, one executive left and Executive Management now consists of the chief executive officer, the president plus 4 executives. Executive Management's responsibilities include overall conduct of the business and all operational matters, organisation of the company as well as allocation of resources, determination and implementation of strategies and policies, direction-setting, and ensuring timely reporting and provision of information to the Board of Directors and Novo Nordisk's stakeholders. Executive Management is also responsible for oversight, implementation and audit of environmental, social and related policies. Executive Management meets at least once a month and often more frequently.

Executive Management consists of the following:

- Lars Rebién Sørensen (Chief executive officer (CEO))
- Kåre Schultz (President and chief operating officer (COO))
- Jesper Brandgaard (Executive vice president and chief financial officer (CFO))
- Lars Fruergaard Jørgensen (Executive vice president and chief of staff)
- Jakob Riis (Executive vice president, Marketing & Medical Affairs and Stakeholder Engagement)
- Mads Krogsgaard Thomsen (Executive vice president and chief science officer (CSO))

Risk management

Novo Nordisk has developed a dynamic approach to risk management to ensure that key risks are effectively identified, assessed and managed so that they will not affect the company's ability to achieve our business objectives. Maintaining and monitoring a systematic integrated process to continually assess business risks is the responsibility of Executive Management. The Risk Management Board, with representatives of Senior Management from relevant parts of the business and chaired by the chief financial officer, sets the strategic direction for the risk management process and challenges the overall risk and control profile for Novo Nordisk.

Our policy for risk management is to proactively manage risk to ensure continued growth of our business and to protect our people, assets and reputation. This means that we:

- Utilise an effective and integrated risk management system while maintaining business flexibility
- Identify and assess material risks associated with our business
- Monitor, manage and mitigate risks

Our risk willingness is not one specific figure or formula, but varies depending upon the specific category of risk. The main characteristics of Novo Nordisk's risk willingness are:

- We develop new innovative products to improve treatment of serious diseases such as diabetes and haemophilia. We accept the high level of risk involved in bringing such products to market that meet the needs of patients in terms of both safety and efficacy.
- We make every effort to reduce safety risks to the lowest level possible in both clinical trials and already marketed products as the safety of patients is paramount to us.
- We take a conservative approach to the management of financial risks.
- We strive to reduce supply chain risks through proactive business continuity planning, regular inspections and back-up facilities.
- We never compromise on quality and business ethics.

Internal control

Overall control environment

The Board of Directors and Executive Management set out general requirements for business processes and internal controls. A number of policies are defined by Executive Management and approved by the Board of Directors, including;

- Finance and legal policy
- Risk management policy
- Treasury policy
- Information Technology Policy
- Business Ethics Policy

Responsibility for maintaining sufficient and effective internal controls and risk management system in relation to the financial reporting is anchored with Executive Management. Executive Management ensures design and implementation of controls considered necessary to mitigate risks identified in relation to the financial reporting process.

The Audit Committee appointed by the Board of Directors monitors on an ongoing basis the assessment of risk and the design and operating effectiveness of the implemented internal controls in connection with the financial reporting process.

The internal audit function, Group Internal Audit, is reporting to the Audit Committee. The internal audit function provides independent and objective assurance primarily within internal control and governance.

Risk assessment

The Audit Committee and Executive Management perform assessments of the risk exposure of Novo Nordisk, including the impact on the financial reporting and the financial reporting process. Quarterly, the Audit Committee has discussions with the CFO, Head of Finance, Head of Group Internal Audit, the external auditor and the General Counsel regarding:

- Material and relevant new accounting pronouncement, implementation of such, review of key accounting policies and the accounting for certain transactions and activities, and
- Accounting for material legal and tax issues - significant accounting estimates, and the scope and effectiveness of internal controls over financial reporting including Sarbanes-Oxley requirements.

The identified key risks in relation to the financial reporting are described in the Annual Report in the sections 'Risk overview' and 'Key accounting estimates'.

Control activities

The internal control system which has been based on the COSO framework includes clearly defined organisational roles and responsibilities, reporting requirements and authorities.

Novo Nordisk is in compliance with the Sarbanes-Oxley Act section 404, which requires detailed documentation of the design and operation of financial reporting processes. Novo Nordisk must ensure that there are no material weaknesses in the internal controls that could lead to a material misstatement in its financial reporting.

The company's conclusion and the auditor's evaluation of these processes are included in its Form 20-F filing to the US Securities and Exchange Commission (SEC).

IT systems

Novo Nordisk operates with a common global IT system that ensures uniformity and transparency in data used for the financial reporting and controlling. Information and communication systems to ensure accounting and internal control compliance are established including Accounting Manual, Internal Control requirements, Budgeting Manual and other relevant guidelines. This information is available for all employees in the Intranet.

Monitoring

Each month the Group's companies report financial data and comments on financial and commercial developments to the central accounting and controlling function. This information is used to prepare consolidated financial statements and reports for the Group's Executive Management. Financial reporting, including reporting from subsidiaries, are controlled on an ongoing basis. In connection with the preparation of the Annual Report, additional analysis and control activities are performed to ensure proper presentation in the Annual Report.

Test of internal controls over financial reporting by Group Internal Audit and External Auditors and Management's self-assessment of the controls are conducted as a part of the compliance with the Sarbanes-Oxley Act section 404. The result hereof is reported to the Audit Committee on a quarterly basis.

Appendix 1

Deviations from Nasdaq Copenhagen Corporate Governance Recommendations

As a company organised under Danish law and with a primary listing on Nasdaq Copenhagen, Novo Nordisk is in compliance with Danish securities law and it is Novo Nordisk's intent to be guided by the Danish Corporate Governance Recommendations announced by Nasdaq Copenhagen (last updated November 2014, prepared by the Danish Committee on Corporate Governance). Nasdaq Copenhagen has required Danish companies to report on a "comply-or-explain" basis their compliance with these recommendations. Novo Nordisk is in compliance with all but three of the Danish Corporate Governance Recommendations.

The Danish Corporate Governance Recommendations	Danish Corporate Governance Recommendations	Novo Nordisk's approach
3.4.2	The Committee recommends that a majority of the members of a board committee be independent.	<p>The Audit Committee is in compliance with the recommendation</p> <p>The Nomination Committee consists of two members who are not independent, including the Chairman and two members who are independent. Hence, the composition of the Nomination Committee does not conform to the Danish Corporate Governance Recommendations. This is due to the fact that the Board of Directors finds that the composition of the Nomination Committee allows for both a representative of the majority shareholder as well as an employee representative being on the Nomination Committee while maintaining the Nomination Committee small.</p>
3.4.7	<p>The Committee recommends that the board of directors establish a remuneration committee with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> • to recommend the remuneration policy (including the general guidelines for incentive-based remuneration) to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting, • make proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensure that the remuneration is in compliance with the company's remuneration policy and the assessment of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the board of directors and the executive board receive from other companies in the group, and • recommend a remuneration policy applicable for the company in general. 	<p>In practice, the Chairmanship has up till now had the role and responsibility of a remuneration committee, though the Board of Directors has decided to establish a remuneration committee in 2015.</p>
4.1.5	The Committee recommends that agreements on termination payments should not amount to more than two years' annual remuneration.	<p>Current executive employment contracts allow in some instances severance payments of up to three years' remuneration plus pension benefits. For the 2 executives who joined Executive Management in 2013 and for all future employment contracts for executives, the severance payment was and will be no more than 24 months' fixed base salary plus pension contribution, which will bring Novo Nordisk into alignment with the Danish Corporate Governance Recommendations in the long term.</p>

Appendix 2

Summary of the significant ways in which Novo Nordisk's corporate governance practices differ from the NYSE Corporate Governance Listing Standards

Novo Nordisk is a foreign listed private issuer whose ADRs are listed on the New York Stock Exchange (the 'NYSE'). As such, Novo Nordisk is required to comply with U.S. securities laws, including the Sarbanes-Oxley Act and the NYSE Corporate Governance Standards except that, as permitted under these standards, Novo Nordisk continues to apply Danish corporate governance practices in certain areas.

Below a summary is provided of the significant ways in which Novo Nordisk's corporate governance practices differ from the corporate governance standards of the NYSE applicable to domestic U.S.-listed companies.

Listed Company Manual – Section 303A	Corporate Governance standard ⁴	Novo Nordisk corporate governance practice
Rule 2.(a)(i)	No director qualifies as "independent" unless the board of directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company).	<p>Under the Danish Corporate Governance Recommendations, at least half of the elected members of the board of directors, excluding any members that have been elected by employees of the company, must be independent. Employees are entitled to be represented by half of the total number of board members elected at the general meeting.</p> <p>The Board of Directors has determined whether board members qualify as independent under the Danish Corporate Governance Recommendations. The Board of Directors has also determined whether the board members, who are members of the Audit Committee, qualify as independent under Rule 10A-3 under the Securities Exchange Act. Such determination is disclosed in the Annual Report. Further, the Annual Report provides detailed and individual information regarding the board members, but it does not explicitly identify which board members the Board of Directors considers independent under NYSE Corporate Governance Standards.</p>
Rule 2.(a)(ii)	In addition, in affirmatively determining the independence of any director who will serve on the compensation committee of the listed company's board of directors, the board of directors must consider all factors specifically relevant to determining whether a director has a relationship to the listed company which is material to that director's ability to be independent from management in connection with the duties of a compensation committee member, including, but not limited to:	<p>It is not a requirement to have a compensation committee if a company is "controlled", which the New York Stock Exchange defines as having more than 50% of the voting power for the election of directors held by an individual, a group or another company. Novo Nordisk is such a controlled company and is therefore exempt from the requirement to establish a separate compensation committee in the same manner as US companies are.</p> <p>In practice, the Chairmanship has up till now had the role and responsibility of a compensation committee, though the Board of Directors has decided to establish a remuneration committee in 2015.</p> <p>The Board of Directors considers all factors relevant to determine whether the Chairmanship has a relationship to Novo Nordisk which is material to the Chairmanship's ability to be independent from management when performing its duties.</p>

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4. Text slightly modified to make it more reader-friendly.

Listed Company Manual – Section 303A	Corporate Governance standard ⁴	Novo Nordisk corporate governance practice
Rule 2.(b)(i)	<p>In addition, a director is not independent if the director is, or has been within the last three years, an employee of the listed Company, or an immediate family member is, or has been within the last three years, an executive officer, of the listed Company.</p>	<p>Rule 303A.02 defines ‘listed company’, for purposes of the independence standards, to include ‘any parent or subsidiary in a consolidated group with the listed company or such other company as is relevant to any determination under the independence standards set forth in this Section 303A.02(b).</p> <p>Four employees have in accordance with the requirements in the Danish Companies Act been elected as board members by the Danish employees of the company.</p> <p>No other board member or the board member’s immediate family members have within the last three years been an employee or executive of Novo Nordisk or any parent or subsidiary in a consolidated group with Novo Nordisk.</p>
Rule 4(a)	<p>Listed companies must have a nominating/corporate governance committee composed entirely of independent directors.</p>	<p>The requirement does not apply if a company is ‘controlled’, which the New York Stock Exchange defines as having more than 50% of the voting power for the election of directors held by an individual, a group or another company. Novo Nordisk is such a controlled company and is therefore exempt from this requirement in the same manner as U.S. companies are.</p> <p>The Nomination Committee has four members elected by the Board of Directors from among its members. One member is designated as Chairman. According to the Danish Corporate Governance Recommendations a majority of the members of the Board of Directors shall qualify as independent. The Nomination Committee consists of two members who are not independent, including the Chairman, and two members who are independent. Hence, the composition of the Nomination Committee does not conform to the Danish Corporate Governance Recommendations. This is due to the fact that the Board of Directors finds that the composition of the Nomination Committee allows for both a representative of the majority shareholder as well as an employee representative being on the Nomination Committee while maintaining the committee small.</p> <p>The Chairmanship is responsible for the oversight of the company’s corporate governance practices.</p>

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Listed Company Manual – Section 303A	Corporate Governance standard ⁴	Novo Nordisk corporate governance practice
Rule 5.(a)	Listed companies must have a compensation committee composed entirely of independent directors. Compensation committee members must satisfy the additional independence requirements specific to compensation committee membership set forth in section 303A.02(a)(ii).	<p>The requirement does not apply if a company is 'controlled', which the New York Stock Exchange defines as having more than 50% of the voting power for the election of directors held by an individual, a group or another company. Novo Nordisk is such a controlled company and is therefore exempt from this requirement in the same manner as U.S. companies are.</p> <p>In practice, the Chairmanship has up till now had the role and responsibility of a compensation committee, though the Board of Directors has decided to establish a remuneration committee in 2015.</p>
Rule 7.(a)	The audit committee must have a minimum of three members. All audit committee members must satisfy the requirements for independence set out in Section 303A.02 and, in the absence of an applicable exemption, Rule 10A-3(b)(1).	<p>The Audit Committee has four members.</p> <p>Three audit committee members satisfy the independence requirements of Rule 10A – 3(b)(1) of the Securities Exchange Act and section 303A.02 of the Listed Company Manual.</p> <p>One audit committee member is an employee representative relying on the exemption from the independence requirements in Rule 10A-3(b)(1) provided for by paragraph (b)(1)(iv)(C). Novo Nordisk does not believe the reliance on such exemption will materially affect the ability of the Audit Committee to act independently.</p>
Rule 7.(b)(i)	The audit committee must have a written charter that addresses the committee's purpose – which, at minimum, must be to:	The Audit Committee charter addresses the Committee's purpose.
Rule 7.(b)(i)(A)	assist board oversight of (1) the integrity of the listed Company's financial statements, (2) the listed Company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of the listed Company's internal audit function and independent auditors (if the listed company does not yet have an internal audit function because it is availing itself of a transition period pursuant to Section 303A.00, the charter must provide that the committee will assist board oversight of the design and implementation of the internal audit function).	As stated in the charter, the Audit Committee is, amongst other things, responsible for oversight of and reporting to the Board of Directors on the elements described in the recommendation except compliance with legal and regulatory requirements which only consists of business ethics compliance.
Rule 8	<p>Shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions thereto, with limited exceptions explained below.</p> <p>[Text abbreviated]</p>	The Remuneration Principles are approved by the Annual General Meeting. The Remuneration Principles describe the framework for incentive programs for the Board and Executive Management. All incentive programs offered to the Board of Directors and/or Executive Management shall comply with this framework. However, under Danish law, the practice of voting on equity-compensation plans is not contemplated and accordingly, equity compensation plans are only subject to shareholder approval if it results in the issuance of new shares (and not if treasury shares are used).

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Listed Company Manual – Section 303A	Corporate Governance standard ⁴	Novo Nordisk corporate governance practice
<p>Rule 10</p>	<p>Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.</p> <p>According to NYSE commentary, a code of business conduct and ethics shall include:</p> <ul style="list-style-type: none"> • Conflicts of interest. • Corporate opportunities. • Confidentiality. • Fair dealing. • Protection and proper use of company assets. • Compliance with laws, rules and regulations (including insider-trading laws). • Encouraging the reporting of any illegal or unethical behaviour. 	<p>Novo Nordisk has a framework of rules and guidelines, including but not limited to the Novo Nordisk Way, which describe corporate values and required mindsets on business conduct and ethics.</p> <p>While certain topics mentioned in the Listed Company Manual are addressed in this framework of rules and guidelines there may be topics which are not covered.</p>
<p>Rule 12.(a)</p>	<p>Each listed company CEO must certify to the NYSE each year that he or she is not aware of any violation by the listed company of NYSE corporate governance listing standards, qualifying the certification to the extent necessary.</p>	<p>Listed companies that are foreign private issuers are permitted to follow home country practice in lieu of the provisions of this section. Novo Nordisk has opted to follow Danish law and regulations which do not contemplate such certifications. However, Novo Nordisk will notify the NYSE promptly in writing if it becomes aware of any non-compliance with applicable NYSE corporate governance rules.</p>