

novo nordisk
CORPORATE
GOVERNANCE REPORT
2017



STATUTORY CORPORATE GOVERNANCE REPORT FOR 2017, CF. ART. 107B OF THE DANISH FINANCIAL STATEMENTS ACT¹

This Statutory Corporate Governance Report (hereinafter “the Report”) covers the period 1 January 2017 – 31 December 2017 and is prepared pursuant to art. 107b of the Danish Financial Statements Act. The Report forms part of the management’s review in the statutory Annual Report for 2017.

The sections Management and board committees, Risk management and Internal control are a part of the auditor’s certificate in the statutory Annual Report, whereas the sections Corporate governance recommendations and practices and Appendices 1 and 2 are not a part of the auditor’s certificate in the statutory 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 Copenhagen², and – as a foreign listed private issuer – to the Corporate Governance Listing Standards on New York Stock Exchange as stated in the NYSE Listed Company Manual³.

The Danish Corporate Governance Recommendations were revised in May 2013 and subsequently updated in November 2014. The Danish Corporate Governance Recommendations have been further amended in 2017; however, the new amendments will only apply beginning from the fiscal year 2018. Novo Nordisk is in compliance with all but the following three recommendations:

- 3.4.2 - Independence of board committees: the majority of the members of the Nomination Committee, the Remuneration Committee and the Research & Development Committee respectively are not independent.
- 3.4.7 - Tasks of the Remuneration Committee: responsibility for the remuneration policy applicable to the employees in general resides with Executive Management and not with the Remuneration Committee.
- 4.1.5 - Termination payments: two executive employment contracts entered into before 2008 allow for severance payments of more than 24 months’ fixed base salary plus pension contribution.

For a review of Novo Nordisk’s explanations to deviations from the applicable Danish Corporate Governance recommendations, please see Appendix 1.

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 explanations to deviations from the applicable recommendations, please see Appendix 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

The Board of Directors has 11 members, seven of whom are elected by shareholders at general meetings and four by employees in Denmark. 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 determines the company’s overall strategy and follows up on its implementation, supervises the performance, 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. The Board of Directors may also distribute extraordinary dividends, issue new shares or repurchase shares in accordance with authorisations granted by the annual general meeting and recorded in the meeting minutes. For the minutes of annual general meetings, see novonordisk.com/about_us.

In March 2017 the shareholders elected the following members to the Board of Directors:

- Göran Ando (chairman of the Board of Directors, chairman of the Nomination Committee and the Research & Development Committee)
- Jeppe Christiansen (vice chairman of the Board of Directors and chairman of the Remuneration Committee)
- Brian Daniels (member of the Board of Directors and member of the Research & Development Committee)
- Sylvie Grégoire (member of the Board of Directors, member of the Audit Committee and the Research & Development Committee)
- Liz Hewitt (member of the Board of Directors, chairman of the Audit Committee and member of the Nomination Committee)
- Kasim Kutay (member of the Board of Directors, member of the Nomination Committee and the Remuneration Committee)
- Helge Lund (member of the Board of Directors, member of the Nomination Committee and the Audit Committee)

Mary Szelas was also elected in March 2017 by the shareholders, but she stepped down from the Board of Directors in May 2017 due to a potential future conflict of interest.

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

2. The Danish Corporate Governance Recommendations can be found at: <https://corporategovernance.dk/gaeldende-anbefalinger-god-selskabsledelse>

3. NYSE Corporate Governance Listing Standards can be found at: <http://nysemanual.nyse.com/lcm/>

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

- Liselotte Hyeled (member of the Board of Directors and member of the Research & Development Committee – employee representative)
- Anne Marie Kverneland (member of the Board of Directors and member of the Remuneration Committee – 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)

The employee-elected board members are up for election in 2018.

Four of the seven shareholder-elected board members are independent as defined by the Danish Corporate Governance Recommendations, while three shareholder-elected board members are related to the majority shareholder Novo Holdings A/S as members of either the board or executive management and thus are not deemed independent. Employee representatives are considered non-independent according to the Danish Corporate Governance Recommendations.

In 2017, the Board of Directors conducted seven board meetings. All board members attended all board meetings within the member's term in 2017. Please refer to the Annual Report on pp 54–55 for a detailed attendance overview, which also includes the attendance for committee meetings.

To ensure that discussions include multiple perspectives representing the complex, global pharmaceutical environment, the Board of Directors aspires to be diverse in gender and nationality. In 2016, the Board of Directors adjusted its diversity ambition and set out new targets with the aim of consisting, by 2020, of at least two shareholder-elected board members with Nordic nationality and at least two shareholder-elected board members with a nationality other than Nordic – and at least three shareholder-elected board members of each gender.

As of 31 December 2017, two shareholder-elected board members were female and five were male, while four of the seven shareholder-elected board members were non-Nordic and three were Nordic. Thus, the company did not fulfil the ambition of having at least three shareholder-elected board members of each gender on the Board by the end of 2017, given that Mary Szela stepped down from the Board of Directors in May 2017 due to a potential future conflict of interest. The company will strive to fulfil this ambition by 2020.

CHAIRMANSHIP

The annual general meeting elects the chairman and vice chairman of the Board of Directors directly.

The Chairmanship carries out administrative tasks, such as planning board meetings to ensure a balance between overall strategy-setting and financial and managerial supervision of the company. Other tasks include reviewing the fixed asset investment portfolio.

At the March 2017 annual general meeting, the shareholders re-elected the chairman, Göran Ando, and the vice chairman, Jeppe Christiansen. Göran Ando became vice chairman of the Board in 2006 and chairman in 2013. Jeppe Christiansen became vice chairman in connection with his first election in 2013.

Both members of the Chairmanship are considered non-independent, as they are both board members of the majority shareholder, Novo Holdings A/S.

In 2017, the Chairmanship conducted seven meetings. The vice chairman was excused from one meeting in 2017. Please refer to the Annual Report on pp 54-55 for a detailed attendance overview.

THE NOMINATION COMMITTEE

The Nomination Committee has five members elected by the Board of Directors from among its members. One member is designated as chairman and one member is an employee representative.

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.

The Board of Directors has in March 2017 elected the following members to the Nomination Committee:

- Göran Ando (re-elected, chairman since 2013; not independent)
- Liz Hewitt (re-elected, member since 2013; independent)
- Kasim Kutay (elected, member since 2017; not independent)
- Helge Lund (elected, member since 2017; independent)
- Søren Thuesen Pedersen (elected, member since 2017; employee representative, not independent)

The Nomination Committee consists of two members who are independent as defined in the Danish Corporate Governance Recommendations and three members who are non-independent, including the chairman. One member is an employee representative. According to the Danish Corporate Governance Recommendations a majority of the members of a board committee shall qualify as 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 a member from the Chairmanship, which consists of two non-independent board members, a representative of the majority shareholder, who qualifies as a non-independent board member, as well as an employee representative, who also qualifies as a non-independent board member, being on the Nomination Committee while maintaining an operational structure of the Nomination Committee with relative few members.

The Nomination Committee conducted eight meetings in 2017 (excluding interviews with candidates). Two members were excused from one meeting within the member's term in 2017. Please refer to the Annual Report on pp 54-55 for a detailed attendance overview.

AUDIT COMMITTEE

The Audit Committee has four members elected by the Board of Directors from among its members. One member is designated as chairman and one member is an employee representative.

The Audit Committee assists the Board with 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 ("whistleblowing"), 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) information security, i) insurance coverage and j) other tasks.

The Board of Directors has in March 2017 elected the following members to the Audit Committee:

- Liz Hewitt (re-elected, member since 2012 and chairman since 2015)
- Sylvie Grégoire (re-elected, member since 2015)
- Helge Lund (elected, member since 2017)
- Stig Strøbæk (re-elected, member since 2013, employee representative)

Pursuant to the US Securities Exchange Act three members qualify as independent, including the chairman, while one member, the employee representative, relies on an exemption to the independence requirements. In addition, two members have been designated as financial experts as defined by the US Securities and Exchange Commission (SEC).

Three members qualify as independent, including the chairman, as defined in the Danish Corporate Governance Recommendations and one member, who is an employee representative, qualifies as non-independent. According to the Danish Corporate Governance Recommendations a majority of the members of a board committee shall qualify as independent. Hence, the composition of the Audit Committee adheres to the Danish Corporate Governance Recommendations. In addition, two members have competences in accounting and auditing and the members of the Audit Committee collectively have competences relevant to the healthcare industry as required by the Danish Act on Approved Auditors and Audit Firms.

In 2017, the Audit Committee conducted four meetings. The members of the Audit Committee participated in all meetings within the member's term in 2017. Please refer to the Annual Report on pp 54-55 for a detailed attendance overview.

REMUNERATION COMMITTEE

The Remuneration Committee has three members elected by the Board of Directors from among its members. One member is designated as chairman and one member is an employee representative.

The Remuneration Committee assists the Board with oversight of the remuneration policy for the members of the Board of Directors and Executive Management including guidelines on incentive pay to Executive Management in the company referred to as "The principles for remuneration of board members and executives in Novo Nordisk A/S", the remuneration of the members of the Board of Directors and its committees, the remuneration of the members of Executive Management, and other tasks on an ad hoc basis as specifically decided by the Board.

The Board of Directors has in March 2017 elected the following members to the Remuneration Committee:

- Jeppe Christiansen (re-elected, member since 2015 and chairman since 2017; not independent)
- Kasim Kutay (elected, member since 2017; not independent)
- Anne Marie Kverneland (elected, member since 2017; employee representative; not independent)

Currently all three members qualify as non-independent pursuant to the Danish Corporate Governance Recommendations. One member is an employee representative. According to the Danish Corporate Governance Recommendations a majority of the members of a board committee shall qualify as independent. Hence, the composition of the Remuneration 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 Remuneration Committee allows for a member from the Chairmanship, which consists of two non-independent board members, a representative of the majority shareholder, who qualifies as a non-independent board member, as well as an employee representative, who also qualifies as a non-independent board member, being on the Remuneration Committee while maintaining an operational structure of the Remuneration Committee with relative few members.

The Remuneration Committee conducted five meetings in 2017. The members of the Remuneration Committee participated in all meetings within the member's term in 2017. Please refer to the Annual Report on pp 54-55 for a detailed attendance overview.

RESEARCH & DEVELOPMENT COMMITTEE

The Research & Development Committee has four members elected by the Board of Directors from among its members. One member is designated as chairman and one member is an employee representative.

The Research & Development Committee was established in March 2017 in light of the updated research and development strategy and priorities. The new Committee is temporary and is expected to exist for 18-24 months while the company is implementing the new research and development strategy. The Research & Development Committee assists the Board with oversight of the research and development strategy, the pipeline, and other tasks on an ad hoc basis, as specifically decided by the Board.

The Board of Directors has in March 2017 elected the following members to the Research & Development Committee:

- Göran Ando (elected, chairman since the establishment in 2017; not independent)
- Brian Daniels (elected, member since the establishment in 2017; independent)
- Sylvie Gregoire (elected, member since the establishment in 2017; independent)
- Liselotte Hyeved (elected, member since the establishment in 2017; employee representative; not independent)

The Research & Development Committee consists of two members who are independent as defined in the Danish Corporate Governance Recommendations and two members who are non-independent, including the chairman. One member is an employee representative. According to the Danish Corporate Governance Recommendations a majority of the members of a board committee shall qualify as independent. Hence, the composition of the Research & Development Committee does not conform to the Danish Corporate Governance Recommendations. This is due to the fact that the Board of Directors finds that the Research & Development Committee should be composed of members who all have a significant prior experience in relation to research and development while maintaining an operational structure of the Research & Development Committee with relative few members.

The Research & Development Committee conducted three meetings in 2017. The members of the Research & Development Committee participated in all meetings in 2017. Please refer to the Annual Report on pp 54-55 for a detailed attendance overview.

EXECUTIVE MANAGEMENT

Executive Management is responsible for the overall day-to-day management, the organisation of the company, 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 meets at least once a month, and often more frequently. The Board of Directors appoints members of Executive Management and determines their remuneration. The Chairmanship reviews the performance of the executives. To ensure the organisational implementation of the strategy, Executive Management has established a Management Board consisting of the chief executive officer, executive vice presidents and senior vice presidents.

On 1 January 2017, Lars Fruergaard Jørgensen became chief executive officer (CEO), succeeding Lars Rebién Sørensen, who retired from the company at the end of 2016. Jakob Riis left the company in March 2017 and was succeeded by Doug Langa as a member of Executive Management. Lars Green was appointed executive vice president in July 2017 and Camilla Sylvest was appointed executive vice president in October 2017.

As of 1 February 2018, the Executive Management consists of the following members:

- Lars Fruergaard Jørgensen (president & chief executive officer (CEO))
- Jesper Brandgaard (executive vice president, chief financial officer (CFO) and head of Biopharm)
- Maziar Mike Doustdar (executive vice president and head of International Operations)
- Lars Green (executive vice president and head of Business Services & Compliance)
- Doug Langa (executive vice president and head of North America Operations)
- Camilla Sylvest (executive vice president and head of Commercial Strategy & Corporate Affairs)
- Mads Krogsgaard Thomsen (executive vice president and chief science officer (CSO))
- Henrik Wulff (executive vice president and head of Product Supply)

The two executives who are based outside of Denmark and who have responsibility for International Operations and North America Operations respectively are not registered as executives with the Danish Business Authority.

RISK MANAGEMENT

Novo Nordisk's risk management process is governed by Executive Management and designed to ensure that key business risks are effectively identified, assessed and mitigated so that they do not affect the company's ability to achieve its business objectives. The risk management system covers the entire company in terms of geography, activities and functional areas.

The Risk Management Board, established by Executive Management, is responsible for setting the strategic direction for the risk management process and challenging the overall risk and control profile for Novo Nordisk. The Board consists of senior management members representing relevant parts of the global organisation and is chaired by the chief financial officer.

All business activity has inherent risk. 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, and
- monitor, manage and mitigate risks.

Our risk willingness depends upon the specific category of risk:

- 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 new products to market that meet the needs of patients in terms of both safety and efficacy.
- The safety of patients is paramount to us. We make every effort to reduce safety risks to the lowest level possible in both clinical trials and already marketed products.
- 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 strive to reduce any risks to people, communities and the environment related to our business activities
- We never compromise on quality and business ethics.

THE ENTERPRISE RISK MANAGEMENT SYSTEM

In Novo Nordisk, management teams in all organisational areas are responsible for continuous identification, assessment, and mitigation of risks. All areas have procedures and infrastructure to ensure successful management and reporting of risks, with dedicated local risk coordinators facilitating the process and providing advice and training. This setup allows us to respond timely to risks, and ensures that the Risk Management Board receives a comprehensive overview of risks.

Each quarter, management teams are required to report to the Risk Office their most significant risks, along with assessments and an overview of implemented mitigations and next milestones. All risk assessments take into account the likelihood of an event and its potential impact on the business. Impact is quantified and assessed in terms of potential financial loss or reputational damage. Risks are assessed both as gross risk and net risk.

The Risk Office, which serves as the secretariat of the Risk Management Board, then challenges management on the reported risk information, and consolidates on a quarterly basis reported risks into a corporate profile containing the company's key risks. This information, along with assessments, implemented mitigations and next milestones, is presented to the Risk Management Board, which challenges the overall risk and control profile of Novo Nordisk. The final risk profile is reviewed by Executive Management, the Audit Committee and the Board of Directors.

SUCCESS CRITERIA FOR THE RISK MANAGEMENT SYSTEM

Specific Key Performance Indicators are in place to ensure that risk management is carried out on a continuous basis. This includes ensuring that no major risks materialise that have not been reported to the Risk Management Board.

It is the responsibility of management teams and risk coordinators to identify, assess, mitigate, and report risks. The Risk Office is responsible for supporting the organisation in fulfilling this responsibility. It does so by conducting regular workshops and training sessions to equip local management teams with the necessary understanding and tools related to risk management and reporting. In addition, every year the Risk Office runs creative risk-thinking exercises with a view to identify emerging risks and trends.

On an ongoing basis, the Risk Office actively collects and disseminates internal and external best practices, and shares them with the organisation via guidance documents, booklets, and during training events. Furthermore, the Risk Office works continuously to identify and implement relevant improvements to the risk management system.

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

A description of Novo Nordisk's overall policies, positions and values can be found in the Annual Report, Leading the Novo Nordisk Way, on pp 16-17.

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 have discussions with the chief financial officer, head of finance, head of business assurance, 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 statutory Annual Report for 2017 in the sections 'Novo Nordisk's key risks' on pp 42-43 and Note 1.1 'Principal accounting policies 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 the company's 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 on 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 (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 Nomination Committee consists of two members who are independent as defined in the Danish Corporate Governance Recommendations and three members who are non-independent, including the chairman. One member is an employee representative. 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 a member from the Chairmanship, which consists of two non-independent board member, a representative of the majority shareholder, who qualifies as a non-independent board member, as well as an employee representative, who also qualifies as a non-independent board member, being on the Nomination Committee while maintaining an operational structure of the Nomination Committee with relative few members.</p> <p>Currently all three members of the Remuneration Committee qualify as non-independent pursuant to the Danish Corporate Governance Recommendations. One member is an employee representative. Hence, the composition of the Remuneration 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 Remuneration Committee allows for a member from the Chairmanship, which consists of two non-independent board members, a representative of the majority shareholder, who qualifies as a non-independent board member, as well as an employee representative, who also qualifies as a non-independent board member, being on the Remuneration Committee while maintaining an operational structure of the Remuneration Committee with relative few members.</p> <p>The Research & Development Committee consists of two members who are independent as defined in the Danish Corporate Governance Recommendations and two members who are non-independent, including the chairman. One member is an employee representative. Hence, the composition of the Research & Development Committee does not conform to the Danish Corporate Governance Recommendations. This is due to the fact that the Board of Directors finds that the Research & Development Committee should be composed of members who all have a significant prior experience in relation to research and development while maintaining an operational structure of the Research & Development Committee with relative few members.</p>

The Danish Corporate Governance Recommendations	Corporate Governance Recommendations	Novo Nordisk's approach
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>The Board has established a Remuneration Committee chaired by the vice chairman of the Board of Directors. The Board has approved a Charter for the Remuneration Committee setting out its responsibilities and powers.</p> <p>In accordance with its Charter the Remuneration Committee carries out the tasks regarding remuneration to the Board of Directors and Executive Management, while the responsibility of the remuneration policy applicable for the company in general resides with Executive Management.</p>
4.1.5	<p>The Committee recommends that agreements on termination payments should not amount to more than two years' annual remuneration.</p>	<p>Two executive employment contracts entered into before 2008 allow for severance payments of up to three years' remuneration plus pension benefits. For executives who have joined the Executive Management after 2008 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 US 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 US-listed companies.

NYSE 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 shareholder-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 by the shareholders.</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 statutory Annual Report. Further, the statutory 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)	<p>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> <p>(A) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the listed company to such director; and</p> <p>(B) whether such director is affiliated with the listed company, a subsidiary of the listed company or an affiliate of a subsidiary of the listed company.</p>	<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>Currently all three members of the Remuneration Committee qualify as non-independent pursuant to the Danish Corporate Governance Recommendations. One member is an employee representative. Hence, the composition of the Remuneration 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 Remuneration Committee allows for a member from the Chairmanship, which consists of two non-independent board members, a representative of the majority shareholder, who qualifies as a non-independent board member, as well as an employee representative, who also qualifies as a non-independent board member, being on the Remuneration Committee while maintaining an operational structure of the Remuneration Committee with relative few members.</p> <p>The Board of Directors considers all factors relevant to determine whether the members of the Remuneration Committee have a relationship to Novo Nordisk which is material to the director's ability to be independent from management when performing its duties.</p>

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

NYSE 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>One director serves as chief executive officer of the majority shareholder, Novo Holdings A/S.</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 2.(b)(ii)	<p>A director is not independent if the director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the listed company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).</p>	<p>Definition of ‘listed company’ is identical to what is stated under Rule 2.(b)(i).</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. The four employee-elected board members receive remuneration as employees.</p> <p>One board member serves as chief executive officer of the majority shareholder, Novo Holdings A/S, and thus may be deemed as being non-independent due to the receipt of remuneration as executive of Novo Holdings A/S.</p> <p>No other board members or immediate family member receives or has received such fees from 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 US companies are.</p> <p>The Nomination Committee consists of two members who are independent as defined in the Danish Corporate Governance Recommendations and three members who are non-independent, including the chairman. One member is an employee representative. 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 a member from the Chairmanship, which consists of two non-independent board members, a representative of the majority shareholder, who qualifies as a non-independent board member, as well as an employee representative, who also qualifies as a non-independent board member, being on the Nomination Committee while maintaining an operational structure of the Nomination Committee with relative few members.</p> <p>The Board of Directors considers all factors relevant to determine whether the members of the Nomination Committee have a relationship to Novo Nordisk which is material to the director’s ability to be independent from management when performing its duties.</p> <p>The Chairmanship is responsible for the oversight of the company’s corporate governance practices.</p>

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

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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 US companies are.</p> <p>Currently all three members of the Remuneration Committee qualify as non-independent pursuant to the Danish Corporate Governance Recommendations. One member is an employee representative. Hence, the composition of the Remuneration 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 Remuneration Committee allows for a member from the Chairmanship, which consists of two non-independent board members, a representative of the majority shareholder, who qualifies as a non-independent board member, as well as an employee representative, who also qualifies as a non-independent board member, being on the Remuneration Committee while maintaining an operational structure of the Remuneration Committee with relative few members.</p> <p>The Board of Directors considers all factors relevant to determine whether the members of the Remuneration Committee have a relationship to Novo Nordisk which is material to the director’s ability to be independent from management when performing its duties.</p> <p>Furthermore, the Chairmanship annually evaluates the performance and target setting for Executive Management.</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, including the chairman, satisfy the independence requirements of Rule 10A – 3(b)(1) of the Securities Exchange Act and section 303A.02 of the NYSE 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).</p> <p>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)(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. However, with respect to legal and regulatory requirements, the Audit Committee’s oversight responsibility only includes oversight of compliance with legal and regulatory requirements relating to business ethics compliance.

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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>	<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).</p>
Rule 10	<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 and the Business Ethics Code of Conduct and the supporting Business Ethics Compliance Framework, which describe corporate values and required mindsets and actions on business conduct and ethics.</p> <p>While certain topics mentioned in the NYSE Listed Company Manual are addressed in this framework of rules and guidelines there may be topics which are not covered.</p>
Rule 12.(a)	<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>

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