Novo Nordisk’s Triple Bottom Line approach to business

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The Dilemma Issue
Dealing with dilemmas in a complex world
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How long is long-term commitment?
Children with type 1 diabetes who live in low-income countries are often left without the necessary treatment and access to medicine. To address these unmet needs, Novo Nordisk established the Changing Diabetes® in Children programme but also realised that the company might put itself in a dilemma.
TBL Quarterly

TBL is short for Triple Bottom Line. The Triple Bottom Line is how we at Novo Nordisk consider the financial, environmental and social impact of our business decisions. In each issue of TBL Quarterly, we bring you stories of what TBL looks like in the real world.

Read more about TBL at www.novonordisk.com/tblquarterly

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Sustainable growth is what you achieve by providing solutions to real societal needs
Henrik Wulff is a member of the Executive Management team in Novo Nordisk. Henrik took the time to share his views on some of the dilemmas that the company is facing and what he learns from disruption.
Susanne Stormer, Vice President of Corporate Sustainability, explains how Novo Nordisk is using the Triple Bottom Line to guide the company’s business decisions. But this approach also unveals dilemmas that need to be resolved.

Most of us have a compass of our own that we use every day to guide our actions – to determine what is right and wrong, and where we want to go. If each of us could just go ahead and follow our own course, there wouldn’t be a problem in that. But sometimes doing what I think is right, might be wrong in the eyes of another person. Or, it might even harm or hurt other people. So how do we get it right?

In our everyday lives, we all encounter dilemmas where we need to pause and think what is the right thing to do – all things considered. Just take something as simple as how to get to work in the morning. Do I take the freeway? Should I bike? Carpool?

At Novo Nordisk, we are driving change to defeat diabetes and other chronic conditions. That is why we are in business. How we go about this is guided by our Triple Bottom Line (TBL) principle and our values. Navigating dilemmas and choosing the right course of action starts with making decisions and ensuring that we consider the financial, social and environmental impact of our business decisions. Because we are convinced that this is the right thing to do, and serves the best interests of our business. This does not mean we are dilemma free. And one thing is sure, there is no such thing as an autopilot in business.

The rules of the road
If we assume we know why we are heading out the door in the morning (to go to work), we can jump right to the how and a look at three types of dilemmas. If you decide that the car (which is electric of course) is the best option for you, you get in and buckle up.

The first challenge comes quick. At the approaching intersection, do you stop, slow down or keep going full speed? This one is mostly unconscious, thanks to rules and regulations. Luckily, the red light solves the dilemma for you.

As a company, dealing well with everyday dilemmas is necessary to maintain our license to operate. It is a companywide imperative that our decisions are always in line with regulations and laws that keep people safe, healthy and free from the consequences of unethical behaviour.
How best to avoid traffic

The light turns green and you move through the intersection, this time it is the approaching freeway onramp that makes you pause. Which way will get me to work the fastest and with the least amount of frustration? The freeway or keeping to the small roads? You find your answer by turning on the radio and tuning into the traffic report or recalling what it was like yesterday.

Our ability to resolve this dilemma relies on information and learning. In Novo Nordisk, we make decisions that are based on facts, thorough analysis and by listening to others. It means doing your homework before jumping to conclusions and involving patients and other external stakeholders in decisions.

When to be considerate

Now that you are on the freeway everything is going smoothly. You’re cruising along without a care in the world until one of your fellow commuters pulls up next to you, turn signal blinking away, clearly wanting you to slow down so they can change lanes. Neither the cars in front of you nor the ones behind you appear to be making an effort.

Do you slow down, disrupting your pleasant drive, to let them over? Or do you force them to either slow down or speed up?

In this case, your actions will be judged by your fellow commuters – do you only care about you, and you alone, or do you make an effort to help someone?

Here you need to navigate based on values and ability to adapt to change. In Novo Nordisk, we are guided by the Novo Nordisk Way, and a belief that the value we create for society is what drives value for Novo Nordisk. It is about being responsive to our stakeholders’ expectations and making a positive contribution while still being open to new ways of doing things.

What you’ll find in the new issue

This issue of TBL Quarterly puts focus on dilemmas, situations in which a difficult choice has to be made between two or more alternatives. The stories you will read in this issue are about dilemmas, difficult choices and navigating in a complex environment.

Our intention with these stories is to share some of the dilemmas we are facing as a pharmaceutical company as well as those confronting our customers, stakeholders and business partners.

One of the most useful ways to optimise the morning commute is to be inspired by how others have made the journey.

On that note, please share with us your comments, suggestions and feedback. Tweet me or email my team at sustainability@novonordisk.com. Let me know how you deal with dilemmas or the ones you see for Novo Nordisk?

Enjoy the new issue!

Susanne Stormer
Vice President, Corporate Sustainability Novo Nordisk

@SusStormer
RISKY BUSINESS?

Not all dilemmas can be avoided, especially when you operate globally. But companies can reduce their likelihood. Novo Nordisk faces a variety of risks that may put the company, patients or other stakeholders in difficult situations. It means that the path is not always straightforward when it comes to ensuring that the right product reaches the patient at the right time at the right price.

Supply disruptions
Failures or delays may occur at production sites or throughout the global supply chain, relating to procurement of ingredients and components as well as distribution of products. Pharmacies and hospitals could face product shortages, with potential implications for patients’ daily treatment needs.

Breach of legislation & ethical standards
In a tightly regulated industry, breach of legislation, industry codes or company policies may occur in connection with business interactions, such as with healthcare professionals, business partners or other stakeholders. This could compromise the integrity of the individuals involved and could cause damage to Novo Nordisk’s reputation and financial situation.
Delays or failure in product development
The development of a product can take more than 10 years and may be delayed, or even abandoned. The process involves non-clinical tests and clinical trials, commercial product planning and regulatory approval, including approval of the production facilities. This has an impact on patients’ access to innovative treatments and the company’s long-term viability.

Competition & market developments
Governments and private payers may take measures to limit spending on medicines. In some markets, political instability, conflict or weak enforcement of the rule of law may affect sales. At any time, established or new competitors may bring new products to market, leading to increased competition.

Compromises to product quality and safety
Product quality and safety may be compromised if, for example, a production facility is found to be in non-compliance, a product is not within specifications or if side effects that were not detected in clinical trials become apparent when a product is used for a longer period of time. Patients’ health and lives could be put at risk and Novo Nordisk’s reputation and licence to operate could be damaged.
DEALING WITH DILEMMAS IN 2017

What are the most pressing dilemmas businesses will face in 2017? And how can companies become better equipped to deal with these dilemmas? We asked three experts within business and sustainability to offer their perspectives.

“We must resist the temptation to run faster to stay in the same spot”

What are the most pressing dilemmas businesses will face in 2017?
The next couple of years will be unusually challenging. Doing business in a world of growing populism will test thoughtful businesses and the wider sustainable development movement to the limit. Success in both areas depends on thinking and investing longer term, something that the uncertainties generated by populist (and increasingly nationalist) politics will make more difficult.

Oddly, though, I’m increasingly optimistic, despite the evidence that the world-as-we-have-known-it is coming apart at the seams.

On January 11, we co-hosted an event on the implications of all this in Washington, D.C. with the World Resources Institute and the UN Global Compact. Among the companies attending were BASF, Citi, Dell, DuPont, Google, Hilton, Intel, Michelin, Microsoft, Unilever, UPS and Sumitomo Chemical. People were pretty down about the impact of last year’s political upsets. On the very same day, former ExxonMobil CEO Rex Tillerson was being grilled by the Senate Foreign Relations Committee, some members of which were concerned about the proposed appointment of a Big Oil man as Secretary of State. Having once had a stand-up row with Tillerson in Stavanger, Norway, about the reality of ExxonMobil’s lobbying to stall climate change action, I find it extraordinary that we are now being told he’s a climate moderate. But, like Alice, we are headed into a political Wonderland.

But we must resist the temptation to run faster to stay in the same spot. It’s time to think—and act—very differently.

The views and opinions expressed in this article are those of the contributors and do not necessarily reflect the official policy or position of Novo Nordisk.
Do you think that businesses are transparent and proactive enough about the dilemmas that they face and how they plan to address them?

Clearly not. Factors like commercial confidentiality and sectoral solidarity come into it, of course, but the key problem is that corporate reporting and risk rating often fail to spotlight the critical issues. Need I mention Volkswagen?

How do you believe companies can become better equipped to deal with dilemmas in an ever-changing business environment?

If a business is not already discussing such issues in its boardrooms, there’s little point in going external. But time devoted to discussing past, current and potential future dilemmas is rarely time wasted. The challenge is to do this in a way that helps people understand complex issues—and to respond in good order and good time when related challenges surface.

What is your best advice to business leaders in 2017?

It’s tempting at times like these to hunker down. That could be a mistake at a time when the rest of the world is going into overdrive. Get out more—and encourage your colleagues to do the same. I’m not talking about conferences, but about learning journeys and other mind-expanding adventures. I’ve done a couple of recent trips to California, for example, to meet some of the exponential innovators evolving radically different technologies and business models. And I’m back there in August with a UN Global Compact study tour group visiting Singularity University.

In very much the same way that business leaders learned from NGOs in the past, then from social entrepreneurs and impact investors, the spotlight is now shifting to a very different group of change agents.

“I’m increasingly optimistic, despite the evidence that the world-as-we-have-known-it is coming apart at the seams”

John Elkington

John Elkington is a world authority on corporate responsibility and sustainable development. He is currently Founding Partner and Executive Chairman of Volans, a future-focused business working at the intersection of the sustainability, entrepreneurship and innovation movements.
“Embracing the values and aspirations of the SDGs is how companies will succeed in the future”

What are the most pressing dilemmas businesses will face in 2017?
Businesses in the world of today are faced with a sense of urgency: The world is increasingly complex and challenged by political and economic instability, inequality is rising, consumer preferences are evolving, access to affordable and sustainable energy sources is changing, investor perspectives are changing and most importantly, we see a confluence of values.

Today, customers are increasingly demanding products and services that are produced in a sustainable manner. Businesses need to listen to understand and capture the opportunities that lie in meeting this demand in a manner that is both profitable and sustainable.

These emerging trends are also important for and part of international development, as sustainable business practices help uphold standards that are key to the work of the United Nations, such as promoting gender equality, protecting the environment, and helping to reduce income inequality within and among countries.

Do you think that businesses are transparent and proactive enough about the dilemmas that they face and how they plan to address them?
Companies need to be clear and outspoken about their purpose, actions and risk mitigation and to create trust and confidence if they want to attract, recruit and retain talent, customers and investment in the future.

For example, Gallup’s 2016 report “How Millennials Want to Work and Live” says that for Millennials, “a job is about more than a pay check – it’s about purpose”. To attract a wider range of investors, a modern business should demonstrate that they pursue a business model that creates positive social and environmental impact as part of their core business.

How do you believe companies can become better equipped to deal with dilemmas in an ever-changing business environment?
The 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDGs) were adopted in 2015 by all world leaders. It is a bold and universal agenda which responds to the volatile and unpredictable times in which we are living. Yet, these are also times of opportunity.

How the private sector does business has a major impact on whether growth and development is inclusive and sustainable.

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How the private sector does business has a major impact on whether growth and development is inclusive and sustainable. On average, the private sector accounts for 60% of GDP, 80% of capital flows and 90% of jobs in developing countries. By adopting sustainable practices, companies can also gain a competitive edge, increase their market share, and boost stakeholder value. Embracing the values and aspirations of the SDGs is how companies will succeed in the future.

What is your best advice to business leaders in 2017?
Companies should introduce or accelerate their engagement in the SDGs and there is a clear business case for this. Many companies are developing commercially viable products and services which improve the lives of people living on under USD 8 per day – that’s half of the world’s population who can benefit from scaling up such initiatives. One example is MicroEnsure that sells cheap health insurances and currently has over 40 million low- and middle-income customers in 20 countries – 85% of whom had never had access to insurance.

There is reason to be optimistic but much more needs to be done. Continued leadership is required to:

- Advocate for regulations and policies which promote sustainability; for example, by phasing out the use of harmful substances and cutting greenhouse gas emissions.
- Continue to promote financing which favours sustainable investments. While money isn’t everything, big ambitions require big investments.
- Establish new business models and new and innovative partnerships. Every country, business and individual has work to do and changes to make to achieve the SDGs.

Camilla Brückner is Director for United Nations Development Programme’s (UNDP) Nordic Representation Office and has 22 years of development policy and management experience in Danish and international organisations. In her current role, she is responsible for developing and deepening the partnership with UNDP’s Nordic partners (Denmark, Finland, Norway, Sweden and Iceland) and main core donors.

“If you thought you arrived, you’re wrong – the journey just started”

What are the most pressing dilemmas businesses will face in 2017?
One of the biggest dilemmas businesses face is when margins are squeezed. We have seen examples of sustainability leaders that lost their glory once the business declined. Tough times force companies to reassess where sustainability adds value and where it doesn’t. This is especially relevant for companies that sell premium products at a time with increased demand for more low-margin products.

Secondly, we are experiencing a confusing situation in the financial markets where companies are under pressure to deliver short-term results. We are seeing significant volatility which is not optimal for long-term perspective because it encourages trading rather than investing.

Thirdly, we are facing political challenges and a rise in populist movements many places in the world and companies are unsure how to respond. I think they will need to pay more attention to such political issues – and not only topics that are considered material to their specific industries – because these issues can profoundly affect their businesses. For a pharma company, this for example means that political issues should be regarded as important as dealing with clinical trials.

Do you think that businesses are transparent and proactive enough about the dilemmas that they face and how they plan to address them?
What I have described are all areas where not enough is being done. There are companies that have taken leadership, for example by publicly criticising the immigration ban in the US, but in general I think there is too much fear among companies to take a stand.

The notion that businesses shouldn’t be political is outdated and I think they have an important role to play in contributing to a more positive conversation. We need businesses to speak up. In Europe, I believe that companies are central to helping rebuild optimism and confidence in the European project.

I also think that businesses have been caught up in old ways of doing things, for example when it comes to ownership structure. Up until 2008, the Anglo-Saxon ownership model was considered superior but the financial crisis opened up for new interesting conversations, such as foundation-based ownership, that might be more conducive to long-term value creation. This type of ownership may be perceived negatively by the market but it can be a great way to protect a company from short-term pressure.

How do you believe companies can become better equipped to deal with dilemmas in an ever-changing business environment?
I believe it is too easy to just say simplistic things like ‘we need more stakeholder dialogue’ or ‘let’s establish more public-private partnerships’. The topics we are dealing with are too complex and companies need to reconfigure their sustainability approach and competencies to changing market conditions and new organisational set-ups.

Sustainability teams have a responsibility to bring new topics into the company. These topics need to be raised as strategic issues and should be anchored in executive management teams to ensure adequate “push” throughout the organisation.

What is your best advice for business leaders in 2017?
Summing up, I would say that:
• No business model is safe.
• There is a need for new ways to dealing with public policies and company ownership.
• Companies need to adopt new approaches to sustainability.

Overall, I think companies need to acknowledge that we are facing issues that are at a level of complexity that requires more action and voice. It may sound as a cliché but I think the words ‘If you thought you arrived, you’re wrong – the journey just started’ fits quite well here.

Simon is co-Director of the UN Environment’s Inquiry into the Design of a Sustainable Financial System, Visiting Professor of Sustainability and Tri-Sector Partnerships at Singapore Management University, and Visiting Fellow at the Oxford Martin School at Oxford University. He is widely published and his comments in this article are made in his personal capacity.
The affordability of medicines has become a topic of heated debate in the US, home to one of the world’s most complex healthcare systems. Read about the challenges and the first steps that Novo Nordisk has taken in partnership.

For the pharmaceutical industry, ‘access to medicine’ has traditionally been a challenge to be addressed in some of the world’s least developed countries. However, recent developments in the US show that accessing affordable medicine is by no means a given – even for people living in and contributing to the world’s largest economy. As debate in the media and among leading politicians has intensified, so too has the demand of pharmaceutical companies to be part of the solution.

But what does it take to find sustainable solutions?

The US healthcare system is recognised as one of the most complex systems, from delivery of care to the cost of care. Manufacturers, wholesalers, payers, pharmacy benefit managers (often referred to as ‘PBMs’), healthcare professionals (HCPs) and patients are some of the many stakeholders in how the healthcare systems functions and delivers service. These different stakeholders bring different perspectives and navigating a pharmaceutical business through this environment is equally complex.

What’s in a price?

When it comes to pricing, numerous entities are involved in the process, and that means that different people pay different prices for medicines, depending on insurance coverage and other factors. So how does it work?

Manufacturers like Novo Nordisk set the ‘list price’ and have full accountability for those prices. However, after the list price is set, they negotiate with payers, such as pharmacy benefit managers and/or insurance companies, in order for medicines to stay on their preferred drug list, or formulary.

The revenue that companies receive after rebates, fees and other price concessions given to the payer is the ‘net price’ (see figure). The net price more closely reflects actual company sales. Across Novo Nordisk insulin products, list prices have increased significantly, but net price increases year over year have been mid-single digit due the rebates given to payers.

But not all people benefit from this and the system is very complicated with rebates, discounts, administrative fees, co-pays and deductibles. So while many insured people in the US have manageable co-pay setups for their medications, there are still some that either do not have insurance or have high-deductible health plans – health coverage with lower premiums – who face higher costs at the pharmacy counter.
"We recognise that people with diabetes are finding it harder to pay for their healthcare, including the medicines we make. As a company focused on improving the lives of people with diabetes, this is not acceptable," says Lars Fruegaard Jørgensen, who took over as chief executive officer at Novo Nordisk at the start of 2017.

First steps
In December 2016, the company took a position on pricing, outlining the three areas it intends to focus on to better address the issue. These are:

• Transforming the complex pricing system
• Creating more pricing predictability, including a commitment to limit any possible future list price increases to no more than single-digit percentages annually
• Reducing the burden of out-of-pocket costs.

In March, Novo Nordisk US announced next steps in addressing the affordability challenges by partnering with CVS Health, a major US pharmacy, to help reduce out-of-pocket costs for US patients who struggle to pay for their insulin.

"This program underscores how important collaboration is to addressing the affordability challenges people who have certain health plans or who don’t have insurance face," says Doug Langa, President Novo Nordisk US. “We all have a role to play, and that’s why we welcomed the chance to partner with CVS Health.”

The programme is designed to lower out-of-pocket costs for the people with diabetes that do not have insurance - or have insurance with high deductibles. Effective 10 May, 2017, people with diabetes who enrol in the programme can buy Novo Nordisk human insulin at a reduced cost at any CVS Pharmacy or any of CVS Caremark’s 67,000 network pharmacies throughout the US at a cost of $25 per 10ml vial. This reflects a first step and the company is trying to create a savings programme with CVS for the modern insulins, too.

A shared responsibility
Novo Nordisk believes that finding sustainable solutions takes time, requires commitment from all those involved in healthcare and should not come at the expense of drug innovation.

Novo Nordisk CEO Lars Fruegaard Jørgensen has welcomed the new partnership with CVS and added that the company will continue to explore further ways of improving affordability.

"We’re far from done with securing access and affordability for those who rely on us, and we will continue to explore further solutions," he says.

### THE EQUATION:
FROM LIST PRICE TO NET PRICE IN THE US

<table>
<thead>
<tr>
<th>LIST PRICE</th>
<th>(set by the manufacturer)</th>
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<tbody>
<tr>
<td>REBATES/DISCOUNTS</td>
<td>Payments made to pharmacy benefit managers (PBM)s and/or insurance companies to ensure placement on drug formularies.</td>
</tr>
<tr>
<td>WHOLESALER FEES</td>
<td>Payments made to wholesalers to support stocking and distributing medicines through their supply chain networks (eg pharmacy, hospital).</td>
</tr>
<tr>
<td>ADDITIONAL PRICE CONCESSIONS</td>
<td>Coupon, co-pay assistance programmes (especially for patients with deductibles).</td>
</tr>
<tr>
<td></td>
<td>Administrative fees to group purchasing organisations and PBM s.</td>
</tr>
<tr>
<td>NET PRICE</td>
<td>(manufacturer’s realised price)</td>
</tr>
<tr>
<td>Implications of the net price:</td>
<td></td>
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<tr>
<td>• Insured patients, on average, have a co-pay of approximately 1–1.40 dollars per day for our insulin. 1</td>
<td></td>
</tr>
<tr>
<td>• Required for coverage of our medicines through government programmes (Medicaid, Veterans Affairs, Department of Defense, Medicare etc).</td>
<td></td>
</tr>
<tr>
<td>• Support broad patient access to medicines.</td>
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Children with type 1 diabetes who live in low-income countries are often left without the necessary treatment and access to medicine. To address these unmet needs, Novo Nordisk established the Changing Diabetes® in Children programme but also realised that the company might put itself in a dilemma.

Ulrik Uldall Nielsen travels a lot. As senior programme manager of Novo Nordisk’s Changing Diabetes® in Children programme, a typical month might include a visit to the Ivory Coast in Western Africa and then onto Myanmar in Southeast Asia. It means a few days of jetlag but it is a small price to pay to help improve the conditions for children with type 1 diabetes in developing countries.

According to Ulrik, though no country is the same, poor families across borders struggle to pay healthcare costs when one of their children is diagnosed with type 1 diabetes.

Many of them live in low-income countries, often without the necessary treatment, and where there is limited access to insulin, life expectancy for a child with type 1 diabetes is very short. One of the people who have experienced this first hand is Dr Naby Balde who is based in Conakry, Guinea. “We had many children with diabetes that we followed who had no access to treatment or stopped it because their parents could not afford buying insulin for them,” he says.

Business or philanthropy?
To address these unmet needs, Novo Nordisk established the Changing Diabetes® in Children programme in 2009. The idea originated after a visit to a district hospital in Kenya by Lars Rebien Sørensen, then CEO of Novo Nordisk. At the hospital, one of the children he met was a Masai boy diagnosed with type 1 diabetes who had been deserted by his parents at a highway and taken to the hospital by some passers-by.

“It was clear that this boy had dire perspectives for staying alive,” says Ulrik who took part in the visit. “This is obviously hugely disturbing to anyone who has any way of influencing the situation.”

The vision was to establish clinics where children would be able to receive specialised care.

The programme should also train healthcare professionals, and educate patients and families about caring for a child with diabetes. To overcome financial hurdles, Novo Nordisk would provide human insulin free of cost and blood glucose measuring equipment for the children in partnership with Roche.

But by doing this, Novo Nordisk also realised that the company might put itself in a dilemma.

In general, Novo Nordisk advocates for developing sustainable healthcare solutions and does not see philanthropy as the best way forward. On the other hand, there are simply no other options for these children and as the world’s largest supplier of insulin, the company has a responsibility to act.

To ensure that the children’s fate would not only rely on donations, it was important that Changing Diabetes® in Children did not simply become a drug donation programme. Rather it should be a comprehensive capacity building project that would enable the local healthcare systems to care for the children in the long run.

Working with others to build capacity
From the beginning it was clear that, while Novo Nordisk could contribute with insulin, resources and expertise, it was going to take the collective effort of a range of partners to address the challenge.

Worldwide, 542,000 children below 15 years have type 1 diabetes.¹

On a global level, the programme partners include the World Diabetes Foundation who funds clinical equipment to the diabetes clinics and training of healthcare professionals, Roche who provides glucometers and strips free of charge in ten African countries, and ISPAD who provide training and develops patient education materials and training manuals for healthcare professionals.

At the local level, the programme works with the national ministries of health and local partners in the respective countries to build diabetes capacity and strengthen capabilities within the normal functions of the healthcare system.

“We only work with countries where there is commitment from local healthcare authorities and relevant partners in place. This is to ensure long-term care for the children,” says Ulrik.

In Guinea, the situation has improved since the Changing Diabetes® in Children programme was launched. “There still are some problems but availability of insulin is no more a brake to the treatment of the children”, Dr Naby says. “That is a great progress for both the children and their families who no more have to choose between food and the treatment of a child.” So far, the programme is running in nine countries and has reached more than 14,000 children and established 108 clinics. Despite the efforts, Ulrik acknowledges that it has been more challenging than expected to ensure the sustainability of the programme in the local settings.

Originally, the programme was expected to run for a five-year period. However, in 2014, it was decided to extend the programme for another three years, running until end of 2017 according to a sustainability plan. Novo Nordisk will however continue to donate human insulin to the enrolled children until the end of 2020.

**An investment in the future**

But have these challenges discouraged Novo Nordisk from pursuing additional activities within the Changing Diabetes® in Children programme? The answer is no. Recently, the company announced that they will expand the programme to five new low-income countries with a four-year commitment. Saved resources from phasing out in the first nine countries are now used to launch the programme in the new countries. This has made it possible to set a new ambition of reaching 20,000 children by 2020.

So does this mean that Novo Nordisk sees the programme as a good investment?

To Ulrik, this should be seen in a broader perspective: “How do you calculate the return on investment of 14,000 lives saved?” he asks. “The programme might also benefit Novo Nordisk in terms of building healthcare capacity in future markets and contributing to employee engagement and pride, but the primary benefit is always the children and their families who have been enabled to live better and more resourceful lives.”


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2) International Society for Pediatric and Adolescent Diabetes. 3) Bangladesh, India, Cameroon, Democratic Republic of the Congo, Ethiopia, Guinea, Kenya, Tanzania and Uganda. 4) Senegal, Ivory Coast, Sudan, Myanmar and Cambodia.
Carsten Sindlev-Vind just returned from a business trip to China. It is one of numerous visits he makes to the country. As part of his job as Category Manager, Carsten is responsible for sourcing key components that go into Novo Nordisk’s device and needle manufacturing.

“Our suppliers are critical to making sure that we can deliver products to patients,” says Carsten. “Basically, I have four parameters that I assess suppliers on – the first three are quality, costs and delivery. The final is broader and concerns social and environmental responsibility, such as excessive overtime, and workplace health and safety.”

Assessing each parameter individually might be straightforward but in combination they can create complex situations where the right decision is rarely black and white.

Though he is physically back home, Carsten’s mind is still back in China, puzzling over a case involving one of their suppliers.

Putting principles into action

To manage social and environmental risks in the supply chain, Novo Nordisk has developed a Responsible Sourcing approach that is used when screening new suppliers. The approach also provides a risk model that maps and manages issues according to specific sourcing areas.

“It is our way to ensure that our Triple Bottom Line principle is put into action throughout the supply chain,” says Jens Christian Roth, responsible sourcing project manager, Novo Nordisk. “However, assessing real-life cases and working with suppliers to develop improvements is not always straightforward.”

A large part of Jens Christian’s job is to work closely with category managers like Carsten to continuously improve the way Novo Nordisk manages social and environmental risks in the supply chain.

China is a high-priority country. Looking into the responsible sourcing audits conducted by Novo Nordisk, there has been a year on year increase in the number of these audits taking place in China (approximately a 65% increase in 2016). Typically, the average number of findings per audit is higher in China. In 2016, there were 2.6 findings per audit in China vs. 1.8 per audit outside China.

For more information about Novo Nordisk’s performance on responsible sourcing, see Novo Nordisk UN Global Compact report on progress: http://www.novonordisk.com/content/dam/Denmark/HQ/AnnualReport/2016/PDF/Novo-Nordisk-UN-Global-Compact-2016.pdf
It is our way to ensure that our Triple Bottom Line principle is put into action throughout the supply chain. However, assessing real-life cases and working with suppliers to develop improvements is not always straightforward.”

Jens Christian Roth, responsible sourcing project manager at Novo Nordisk

When major findings are identified, Novo Nordisk normally engages with the suppliers to develop improvement plans. This happens in collaboration with an appointed Local Responsible Sourcing expert who is a Novo Nordisk employee that works out of the local production site and supports the implementation of action plans.

Carsten's current case is therefore not complete surprise. He explains that the supplier is located in southern China and delivers parts for Novo Nordisk’s production in Tianjin in the Northern part of China.

"Novo Nordisk has worked with the supplier for more than 10 years and it has excellent performance on quality, delivery and costs," says Carsten. "However, we have encountered findings related to excessive overtime twice throughout the past five years."

Balancing decisions

A plan for improvement has been made and experience shows that the supplier has indeed improved during the past year. The supplier has also openly stated that they struggle with meeting targets set for 2017-2018 and suggested to move the specific components that they produce for Novo Nordisk to a new and more compliant ‘Responsible Sourcing site’.

Jens Christian and Carsten are now assessing different scenarios together with Novo Nordisk’s Responsible Sourcing Strategic Forum that governs the company’s responsible sourcing strategy and includes representatives from senior management from departments such as Sourcing, Global Quality and Corporate Sustainability.

"The most radical decision would be to simply end the relationship because the supplier does not live 100% up to our requirements," says Jens Christian. "But that would not help improve working conditions at the supplier – most likely the contrary would happen and this may lead to a human rights issue that we cannot ignore."

"On top of that, it is not always easy to find a new supplier who can deliver the components in the same quality and quantity,” Carsten adds. “Therefore we need to work together to find solutions."

Carsten also emphasises how important it is to understand the local context before jumping to conclusions. Most of the people working in Southern China are migrant workers from other parts of China who come to the factories for a limited period to earn money and then go back to their families. “They are not necessarily interested in staying within the maximum 36 hours overtime per month as our guidelines specify.”

Another option would be to accept the supplier’s proposal to move the manufacturing of Novo Nordisk’s components to a new and more compliant part of their production site. However, they both agree that this would have limited positive impact on the working conditions for the workers left at the old site and would also be cumbersome for the supplier.

But there is also a third way.

Still a way to go

The third option is to stay with the supplier despite the non-compliance. In that way, Novo Nordisk can hope to use its influence to improve the conditions, not only for the workers involved in the business with Novo Nordisk but also for workers not directly involved. Novo Nordisk would however have to accept that changes are not happening as fast as previously agreed.

Jens Christian and Carsten point out that it can be challenging in cases where Novo Nordisk might only be a small customer and therefore has less leverage. They also acknowledge that sustained improvements by suppliers cannot always be guaranteed and although Novo Nordisk might support with capability building, the investments need to be made by the supplier.

The future may bring about broader industry collaboration such as the work initiated by the Pharmaceutical Supply Chain Initiative (PSCI) to promote more responsible supply chain management aligned with the UN Guiding Principles on Business and Human Rights2.

"It is only through collaboration that we can advance more responsible performance along the supply chain, but there is still a way to go,” Jens Christian notes.

In the specific case in China, the final decision is pending but both Jens Christian and Carsten are leaning towards the third way.

2) The UN Guiding Principles seek to provide an authoritative global standard for preventing and addressing the risk of adverse human rights impacts linked to business activity. For more information, see https://www.unglobalcompact.org/library/2

MORE INFORMATION
Novo Nordisk’s approach to responsible sourcing:
The Anees family is just one of many living in conflict areas who were faced with the horrible dilemma of having to choose between staying together as a family in Kabul or fleeing home to find safety. This is their story.

Dr Mohammad Naseer Anees, his wife, Dr Ahadia Anees Ahady, and their five children lived in central Kabul, the capital of Afghanistan. It was 2014 and things had improved in recent years, but bombings were still a weekly reminder that life in Kabul hadn’t returned to normal. Despite the risk, Dr Anees and his family were determined to stay.

“Every week there was at least one explosion or unsafe situation,” says Dr Anees. “But because I understand the need of people for doctors and public health programmers, despite all security uncertainty, I was able to help, especially mothers and children. I had a very happy life over there.”

During the day, Dr Anees worked for a local non-profit organisation dedicated to providing disaster relief. At night, he took shifts at a private hospital as a paediatrician. His wife worked for the Afghani Ministry of Health as an advisor on HIV/AIDS awareness, education and prevention programmes.

The first threat on their lives came in May 2014.

“A part of my wife’s work with HIV/AIDS prevention covered sexual health,” says Dr Anees. “My wife was approached by members of the Taliban who disapproved of this. They said she was not a good Muslim and warned her of the dire consequences associated with her continued work.”

The Taliban gave her a way to avoid these consequences - help the Taliban smuggle materials into the Ministry of Health building. It was a serious threat and both doctors were terribly shaken. They informed the police and were determined not to let the threat get in the way of their work.

The second threat arrived. This time, a letter had been delivered on their doorstep while they slept. The letter was very explicit – if Dr Ahady did not smuggle explosives into the Ministry of Health building, they would kill her and her family.

“This time we decided not to take any chances,” explains Dr Anees. “I had a friend in the Kabul police office and I explained everything to him”

Unfortunately, Dr Anees’ friend was not able to help. The police did not have the resources to guarantee their safety. His friend said that one option was for Dr Anees and his family to leave the country. After careful consideration, that was the choice they made.

The journey was too dangerous for children. Family members offered their homes for their five children. Dr Anees and his wife could seek asylum first and then the children would follow, safely. “We wanted to go somewhere safe, somewhere where we could feel we were useful to someone or something,” says Dr Anees.

The escape
Leaving Kabul under the cover of darkness, they travelled to Pakistan where a meeting was arranged with a group of human traffickers. Twenty-four hours later, filled with hope, they were on a plane from Islamabad to Dubai and then to an unknown place.
for Dr Ahady at that time which was Copenhagen. When they reached Dubai, their hope vanished. Dr Anees was pulled aside by custom officials. Dr Ahady was not. The custom officials scrutinised his papers and found the human traffickers forgeries. “I was immediately sent back to Kabul,” says Dr Anees. “Luckily, my wife was able to continue on to Copenhagen.”

This was May 2014.

For the next two years, Dr Ahady went through the asylum seeking process in Denmark. Meanwhile, Dr Anees was under observation by the Taliban, forcing him to flee Kabul and take up hiding with friends outside of the city. In late 2015, Dr Ahady’s application for family reunification was accepted. On a cold winter’s day in January 2016, Dr Anees, with all five children, arrived in Copenhagen.

They were finally safe and together as a family.

Meet Dr Mohammad Naseer Anees
Dr Mohammad Naseer Anees was born in Kabul City, Afghanistan. He holds degrees in General Medicine, Management Science for Health, and Communications & Programme Development. Dr Anees not only worked as a paediatrician in the Afghan Private Hospital, but also as an advisor for a host of non-governmental organisations, including the US Aid for International Development, the World Bank, European Commission, Aid Medical International French, and Médecins Sans Frontières (MSF-France).

Since arriving in Denmark in 2016, Dr Anees and his family have settled into Danish life. In 2017, he completed a four month internship at Novo Nordisk as part of the company’s Refugee Internship Programme. Currently, Dr Anees is working to earn his Danish language diploma.

NOVO NORDISK REFUGEE INTERNSHIP PROGRAMME

For more than a decade, conflicts in Syria, Iraq and Afghanistan have put millions of people in harm’s way, forcing them to face an agonising dilemma – should I stay or should I go?

When the situation reaches life and death consequences, seeking asylum is about survival. Since 2014, more than 2.5 million refugees have entered European countries\(^1\) the majority arrive without a place to live, without a job and without a family or social network.

Novo Nordisk believes that corporations have a responsibility to recognise and act on social issues such as this. In 2016, the company in collaboration with The Association New Dane (Foreningen Nydansker) launched a pilot programme for refugees who have been granted asylum in Denmark.

Stig Flindt, Corporate Vice President in Novo Nordisk, explains the objective of the programme.

“The purpose of the programme is to help refugees with an academic background integrate into the Danish labour market,” says Stig. “Through the internship programme, we are able to provide work experience and insight into Danish workplace culture, a network, improving their language skills and help them in clarifying future steps.”

The first phase of the internship programme accepted 15 interns, six of whom have been extended for a further three-month period. So far, 86% of programme participants say that the internship has brought them closer to getting a job in Denmark. Following their success, the programmes have been extended into 2017.

Key facts about the interns:

- 60% MALES
- 40% FEMALES
- AGE
  - 20-29: 13%
  - 30-39: 60%
  - 40-49: 20%
  - 50-59: 7%
- TOP 3 EDUCATION
  - 20% MEDICINE SCIENCE
  - 13% ENGINEERING
  - 13% BUSINESS ADMINISTRATION
- TOP 3 COUNTRIES
  - 73% FROM SYRIA
  - 13% FROM AFGHANISTAN
  - 7% FROM IRAN
  - 7% FROM ERITRIA

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Diabetes awareness and screening campaign in Nigeria

Emmanuel Gilbert has type 2 diabetes and lives in Nigeria. He sometimes had to face a difficult choice: taking care of his health or providing for his family.

“Diabetes is no longer a rich-country problem.”

What used to be considered a problem of wealthy countries, now disproportionately affects poorer parts of the world. Today, three out of four people with diabetes live in low- and middle-income countries.

59 year-old Emmanuel Gilbert is one of them. Together with his wife and four daughters, Emmanuel lives in Lagos, the biggest city in Nigeria.

In Nigeria, an estimated 1.6 million people have diabetes. Emmanuel was diagnosed with type 2 diabetes 10 years ago. At the time, he knew little about the disease but at the hospital he was introduced to insulin and lifestyle changes. He quickly got his diabetes under control and his health improved. However, treatment took up a big chunk of his disposable income.

“Life is hard in Nigeria for people with diabetes. Life is costly, the drugs are expensive and there is a lot of poverty,” says Emmanuel.

Sometimes he even found himself in the dilemma of having to choose between paying for his treatment versus buying groceries for him and his family. “Healthy foods like vegetables are expensive in Nigeria,” he adds.

The ‘working poor’

Emmanuel is not alone. Statistics show that globally between 4–5 billion people form the base of the economic pyramid, sometimes referred to as the base of the pyramid (BoP). Within this segment is a group of around one billion people on low incomes, the ‘working poor’, who have difficulties accessing adequate health services despite having some disposable income. They typically earn between USD 2 and USD 10 a day.

Diabetes can impose a large economic burden for people who are already living on a tight budget. High out-of-pocket healthcare payments, loss of income associated with disability or travel expenses related to accessing healthcare facilities, can quickly consume a monthly income.

With a big family, there were plenty of other expenses more pressing for Emmanuel. Since he was feeling ok, he believed that his health problem was fixed and he stopped taking his insulin to save the money. What he wasn’t aware of at the time was that uncontrolled diabetes can slowly lead to serious complications affecting the heart and blood vessels, eyes, kidneys and nerves.
An eye opener
The years passed and one day Emmanuel came across a campaign that made him think about his diabetes again.

“They conducted screenings in my neighbourhood and I decided to get checked again,” he says. “They told me that my case was very serious and immediately referred me to the nearest diabetes support centre.”

It turned out that his blood sugar levels were alarmingly high. “If I had continued without treatment I would have gone blind,” he adds.

The screening was part of an awareness campaign supported by Novo Nordisk in collaboration with local hospitals. The initiative is one element of Novo Nordisk’s Base of the Pyramid (BoP) project that aims to improve access to diabetes care for the working poor in low- and middle-income countries.

The BoP project is currently running in Nigeria, Ghana, Kenya and is starting up in Senegal this year. In all countries, the project is based on tailored business models that are adapted to meet the different countries’ diabetes care needs.

“In Nigeria, healthcare services are often located long distances away from people in need, requiring substantial transportation costs, time and money to access them,” says Emma Jakobsson, Market Access, Public Affairs & Business Development Director for Novo Nordisk’s Business Area Africa.

“Additionally, health workers, medicines and equipment are generally insufficient to meet demand, and there can be long waiting times to see staff who may be in need of additional training to provide an adequate level of care.”

Building sustainable solutions
The solution in Nigeria has been to establish diabetes support centres that are integrated into existing hospitals and provide personalised and comprehensive care and treatment in one location. All doctors, nurses, nutritionists and pharmacists working at the clinics receive training on diabetes management.

“These one-stop-shops have helped make insulin more accessible to poor populations by offering it at reduced prices and establish treatment facilities closer to patients’ homes so that they save time and costs on transportation,” Emma explains.

This means that people like Emmanuel now have access to more affordable and personalised treatment at the support centres, but due to the challenging economic situation in Nigeria and numerous devaluations of the Naira, the local currency, it is not an easy task for Novo Nordisk to guarantee a minimum price for insulin. However, Emma points out that the company is working hard to optimise the supply chain to make sure the insulin prices remain affordable. Several projects are ongoing to find solutions to this challenge.

Novo Nordisk is also working with partners at both state and local level to further develop the infrastructure so that more people can benefit from the treatment provided at the support centres.

So far, seven diabetes support centres have been established in Nigeria, 150 healthcare professionals have been trained and around 400 people with diabetes are being treated on a monthly basis. One of them is Emmanuel and he is committed to spreading the word.

“People are dying every day because of this disease. I say go to the support centre and help create awareness about diabetes – or ‘sugar sickness’ as many people call it here in Nigeria.”

Life is hard in Nigeria for people with diabetes. Life is costly, the drugs are expensive and there is a lot of poverty”

Emmanuel Gilbert
People (at the top) driving sustainability

SUSTAINABLE GROWTH IS WHAT YOU ACHIEVE BY PROVIDING SOLUTIONS TO REAL SOCIETAL NEEDS

Henrik Wulff is a member of the Executive Management team in Novo Nordisk and head of production. Henrik took the time to share his views on some of the dilemmas that the company is facing and what he learns from disruption.

Could you say a few words about your background?
I have a M.Sc. in Industrial Management and Engineering from the Danish Technical University and joined Novo Nordisk in 1998 in the logistics and planning function.

Since then, I have held different managerial and earned my way to senior vice president positions within Novo Nordisk’s manufacturing organisation, Product Supply. Two years ago, I joined Executive Management.

What does the Triple Bottom Line mean to you?
Basically, it is the reason why I work in Novo Nordisk. I think it is quite important that when you develop and manufacture life-saving medicine, you also have a responsibility to make these treatments accessible to people.

When you run a global organisation like ours, with more than 40,000 employees, you also have a responsibility to run the business in a sustainable way – to keep the business going. People who work for this company are dependent on us as leaders to make decisions that will lead to long-term growth.

In your day to day work, how do you use the Triple Bottom Line as a compass when making decisions?
I want to be a good corporate citizen, both in my professional and personal life. To a large degree, I believe I have the necessary information needed to make good and balanced decisions in my work. I don’t necessarily believe that this should come from formalising the Triple Bottom Line into all processes and procedures – I prefer that it comes through our culture and our values-based management system, the Novo Nordisk Way.

What are some of the dilemmas that Novo Nordisk is facing?
We produce nearly half of the world’s insulin and have a broad product portfolio that makes us able to serve both low-income countries and countries where there is a market for our next generation products. We still have challenges in making the products more accessible and we need to find a balance between developing a commercially viable way to grow our business and at the same time helping people get better access.
We have to think carefully about how to do this because it needs to be a long-term solution. This problem actually exists in many businesses and areas. I could mention drinkable water, access to healthy food and within prevention of pollution.

My approach is that we should always compete on innovation and quality and have an offering that matches the diversity of needs in society, but this is no guarantee against challenges. In the US, some people with diabetes have challenges affording healthcare, including the medicines we make. This is an issue we take very seriously and we will do our part to solve it, but we can’t do it alone. The US healthcare system is very complex and this requires a commitment from more parties in the system.

**Is there a need for Novo Nordisk to take a greater social responsibility?**

I believe sustainable growth is what you achieve by providing solutions to real societal needs – one of them being the epidemic growth in type 2 diabetes. As a company, you must focus on what you do best, which in our case is to develop medical products that provide safe and effective treatment for people with chronic conditions such as diabetes. I acknowledge that there is also a need for a broader perspective and to look into the root causes for why people develop type 2 diabetes in the first place. This is for example what we have started doing with our Cities Changing Diabetes programme¹. Again, we don’t have the capabilities to solve this task alone, so that is why we have built it as a partnership initiative.

**What about dilemmas related to environmental responsibility?**

With the EU REACH regulation for example, we see a growing regulatory pressure on the use of chemicals for manufacturing, where the industry is urged to phase out certain potential hazardous substances.

We are working to find solutions but it can be a challenge for some of the chemicals we use that are necessary to produce safe and effective treatments. Further improved environmental responsibility cannot come at the expense of our social responsibility to the people using our products. So we have to make sure that the substitute chemicals do not interfere with the quality of the product and must live up to the regulatory requirements globally.

Large companies often find themselves in an ‘innovator’s dilemma’ that makes it hard for them to abandon traditions and built-in practices – is that sometimes also the case for Novo Nordisk?

One of my favourite cases is one I encountered at an executive course at IMD². It was about the troublesome and long “birth” of Nespresso and described how the traditions and current successes were a hindrance to a to-be-seen very good idea. The fear of cannibalisation of exiting products or disturbing current business focus was a central problem. So they ended up making a separate entity that was 100% dedicated to this and it turned out to be a huge success.

We have encountered some of the same challenges when moving into the digital space and figuring out how to fit this into our existing business. Now we have established a dedicated unit to look into this.

Generally, I am inspired by the examples of successful disruption. Our own introduction of recombinant insulin way back, the known examples of iPod/iPhone, Tesla and Nespresso to name a few. Especially, I am interested in how you disrupt and innovate when you are a longstanding successful company. We are currently pursuing an ambition to develop GLP-1³ treatment in a tablet – and that would be the first of its kind in the world. Not easy, but very exciting.

"I am interested in how you disrupt and innovate when you are a longstanding successful company”

Henrik Wulff, Executive Vice President at Novo Nordisk

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¹) Cities Changing Diabetes is a partnership programme to identify and address the root causes of type 2 diabetes in cities founded by Novo Nordisk, University College London (UCL) and Steno Diabetes Center. For more information, see [http://www.citieschangingdiabetes.com/](http://www.citieschangingdiabetes.com/)
²) IMD is a business school located in Lausanne, Switzerland.
³) GLP-1 (Glucagon-Like Peptide-1) is a natural hormone and is part of the body’s own system for controlling blood sugar levels. It stimulates the release of insulin only when blood sugar levels become too high. Source: [http://www.novonordisk.com/media/dictionary.html](http://www.novonordisk.com/media/dictionary.html)
Headquartered in Denmark, Novo Nordisk is a global healthcare company with more than 90 years of innovation and leadership in diabetes care. This heritage has given us experience and capabilities that also enable us to help people defeat other serious chronic conditions: haemophilia, growth disorders and obesity.

We believe that a healthy environment, society and economy are fundamental to long-term value creation. This is why we manage our business in accordance with the Triple Bottom Line business principle and consider the financial, environmental and social impact of our business decisions.

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For a deeper look at how Novo Nordisk works with sustainability visit our website at: novonordisk.com/sustainability