

Novo Nordisk A/S

# Corporate Governance Report 2020



Team Novo Nordisk, the world's first all-diabetes professional cycling team are racing with 100 on their jersey to celebrate the 100-year anniversary of the discovery of insulin

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# Corporate Governance Report for 2020

cf. Section 107 b of the Danish Financial Statements Act<sup>1</sup>

## Introduction

This Corporate Governance Report (hereinafter “the Report”) covers the period 1 January 2020 – 31 December 2020 and is prepared pursuant to Section 107 b of the Danish Financial Statements Act. The Report forms a part of the management review in the statutory Annual Report 2020.

The sections “Management and Board committees”, “Board of Directors”, the subsequent sections on the Board committees (except for the Board committee reports for 2020) as well as “Risk Management” and “Internal Control” are a part of the independent auditor’s report in the statutory Annual Report 2020, whereas the section “Corporate Governance Recommendations and Practices” and Appendix 1 and Appendix 2 are not a part of the independent auditor’s report in the statutory Annual Report 2020.

## Corporate Governance recommendations and practices

As an international company listed on the stock exchanges in Copenhagen and New York, Novo Nordisk is subject to the Danish Corporate Governance Recommendations designated by Nasdaq Copenhagen,<sup>2</sup> and – as a foreign private issuer – to the Corporate Governance Standards of the New York Stock Exchange (“NYSE”) as set out in the NYSE Listed Company Manual.<sup>3</sup>

### The Danish Corporate Governance Recommendations

Novo Nordisk adheres to all Danish Corporate Governance Recommendations (2017)<sup>4</sup> designated by Nasdaq Copenhagen except the five recommendations outlined below, where Novo Nordisk instead explains its approach:

3.3.2 - Disclosure of additional information about Board members: Information on matters such as number of shares owned and changes during the year is disclosed in the Remuneration Report for 2020 and not in the management commentary.

3.4.2 - Independence of Board committees: The majority of the members of the Nomination Committee and the Remuneration Committee are not independent.

3.4.6 - Tasks of the Nomination Committee: Responsibility for succession management and recommending candidates for the Executive Management resides with the Chairmanship and not with the Nomination Committee.

3.4.7 - Tasks of the Remuneration Committee: Responsibility for the remuneration policy applicable to employees in general resides with Executive Management and not with the Remuneration Committee.

4.1.5 - Termination payments: One executive employment contract entered into before 2008 allows for severance payments of more than 24 months’ fixed base salary plus pension contribution and thus the total value of the remuneration relating to the notice period and of the severance payment exceeds two years of remuneration.

For a review of Novo Nordisk’s explanations to the five recommendations above, please see Appendix 1.

For a review of Novo Nordisk’s compliance with and explanations to all applicable Danish Corporate Governance recommendations, please refer to Novo Nordisk’s webpage.<sup>5</sup>

1. In Danish “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. The Corporate Governance Standards as included in the NYSE Listed Company Manual can be found at: <https://nyse.wolterskluwer.cloud/listed-company-manual>.

4. Novo Nordisk will report on the new Danish Corporate Governance Recommendations (2020) in 2022 in connection with the Annual Report for 2021.

5. <https://www.novonordisk.com/about/corporate-governance/recommendations-and-practices.html>.

## Corporate Governance Standards of the New York Stock Exchange

As a foreign private issuer Novo Nordisk complies with the Corporate Governance Standards of the New York Stock Exchange, where Novo Nordisk's American Depository Receipts (ADRs) are listed.

For a summary of the significant ways in which Novo Nordisk's corporate governance practices differ from the NYSE Corporate Governance Standards, please see Appendix 2.

For a review of Novo Nordisk's compliance with and explanations to all the applicable NYSE Corporate Governance Standards, please refer to Novo Nordisk's webpage.<sup>6</sup>

## Management and Board committees

Novo Nordisk has a two-tier management structure consisting of a Board of Directors and Executive Management. The Board of Directors is responsible for the overall strategic management of the company and supervises the performance of the company. 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

### Key responsibilities

The Board of Directors: determines the company's overall strategy and overlooks the implementation of the strategy and the performance of the company; ensures adequate management and organisation; and, as such, actively contributes to developing the company as a focused, sustainable, global pharmaceutical company. Further, the Board of Directors supervises Executive Management.

The Board of Directors may distribute extraordinary dividends and issue new shares in accordance with the Articles of Associations and repurchase shares in accordance with authorisations granted by the shareholders at the Annual General Meeting in 2020 and as recorded in the meeting minutes available at our website.

## Composition

As of 31 December 2020, the Board of Directors consisted of 13 members, nine of whom were elected by the shareholders at the Annual General Meeting and four of whom were elected by the Danish-based employees.

In relation to the composition of the Board of Directors, the guiding principle is that it should be composed of individuals whose particular knowledge and experience enables the Board of Directors as a whole to attend to the interests of the shareholders, employees and other stakeholders.

### Shareholder-elected members

Shareholder-elected Board members serve for a one-year term and may be re-elected. At the Annual General Meeting in 2020, all shareholder-elected Board members were re-elected. Thus, the shareholders elected the following members to the Board of Directors:

- Helge Lund (chair of the Board of Directors since 2018 (member since 2017<sup>7</sup>) and chair of the Nomination Committee)
- Jeppe Christiansen (vice chair and member of the Board of Directors since 2013 and chair of the Remuneration Committee)
- Brian Daniels (member of the Board of Directors since 2016 and member of the Remuneration Committee and the Research & Development Committee)
- Laurence Debroux (member of the Board of Directors since 2019 and member of the Audit Committee)
- Andres Fibig (member of the Board of Directors since 2018 and member of the Audit Committee)
- Sylvie Grégoire (member of the Board of Directors since 2015, member of the Audit Committee, the Nomination Committee and the Research & Development Committee)
- Liz Hewitt (member of the Board of Directors since 2012, chair of the Audit Committee and member of the Remuneration Committee)
- Kasim Kutay (member of the Board of Directors since 2017, member of the Nomination Committee and the Research & Development Committee)
- Martin Mackay (member of the Board of Directors since 2018 and chair of the Research & Development Committee)

6. <https://www.novonordisk.com/about/corporate-governance/recommendations-and-practices.html>.

7. In addition, Helge Lund was a member of the Board of Directors for one year in 2014-2015.

### **Employee-elected members**

Employee-elected Board members are elected by the employees in Denmark and serve for a statutory four-year term. In 2018, the employees elected the following members to the Board of Directors:

- Mette Bøjer Jensen (member of the Board of Directors since 2018 and member of the Nomination Committee)
- Anne Marie Kverneland (member of the Board of Directors since 2000 and member of the Remuneration Committee)
- Thomas Rantzau (member of the Board of Directors since 2018 and member of the Research & Development Committee)
- Stig Strøbæk (Member of the Board of Directors since 1998 and member of the Audit Committee)

The employee-elected Board members are up for election in 2022.

### **Independence**

As of 31 December 2020, seven of the nine shareholder-elected Board members qualify as independent as defined by the Danish Corporate Governance Recommendations, while two shareholder-elected Board members qualify as non-independent as they are related to the main shareholder Novo Holdings A/S as member of either the Board of Directors or Executive Management of Novo Holdings A/S. Employee-elected Board members qualify as non-independent according to the Danish Corporate Governance Recommendations. Please refer to the Annual Report 2020 on page 44 for an overview of independence.

### **Meeting attendance**

In 2020, the Board of Directors conducted nine Board meetings, of which eight Board meetings were held virtually as a consequence of COVID-19. All Board members attended all Board meetings within the member's term in 2020, except two members who were excused from one meeting within the member's term in 2020. Please refer to the Annual Report 2020 on page 44 for a detailed attendance overview, which also includes the attendance for the Board committee meetings.

### **Diversity**

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 new targets for the diversity among shareholder-elected Board members. By 2020, it was the aim that at least two members were of Nordic nationality and two of non-Nordic nationality. The aim was also to have at least three shareholder-elected Board members of each gender.

As of 31 December 2020, our shareholder-elected Board members consisted of two Nordic members and seven non-Nordic members. Of these, three members were female and six were male. Thus, the Board of Directors fulfilled its 2016 gender and nationality ambition. The Board of Directors finds that being diverse in gender and nationality is of continued importance, consequently in 2020 the Board of Directors prolonged its gender and nationality ambition to 2024. When including the employee-elected Board members, six members were Nordic and seven were non-Nordic. Of these, five were female and eight were male.

### **Chairmanship**

#### **Key responsibilities**

The Chairmanship assists the Board of Directors with: the planning of the Board meetings to ensure a balance between overall strategy-setting and financial and managerial supervision of the company; employment, incentive remuneration and performance evaluation of Executive Management; and represents the Board externally.

#### **Composition**

The Chairmanship consists of the chair and vice chair of the Board of Directors, both of whom are elected directly by the shareholders at the Annual General Meeting.

At the Annual General Meeting in 2020, Helge Lund was re-elected as chair and Jeppe Christiansen was re-elected as vice chair of the Board of Directors. Helge Lund became chair of the Board in 2018 and Jeppe Christiansen became vice chair in connection with his first election in 2013.

#### **Independence**

The chair qualifies as independent as defined by the Danish Corporate Governance Recommendations, while the vice chair qualifies as non-independent given that he is a Board member of the main shareholder Novo Holdings A/S. Please refer to the Annual Report 2020 on page 44 for an overview of independence.

### Meeting attendance

In 2020, the Chairmanship conducted seven meetings. The chair attended all meetings in 2020 whereas the vice chair was excused from one meeting in 2020. Please refer to the Annual Report 2020 on page 44 for a detailed attendance overview.

### Chairmanship Report for 2020

The Chairmanship works according to an Annual Work Plan with fixed agenda items. In addition, the Chairmanship requests ad hoc topics to be discussed at Chairmanship meetings.

In 2020 the Chairmanship met seven times and dealt with the following matters:

#### Board matters and governance

- Prepared the Board's Annual Wheel for 2021.
- Prepared each Board meeting including preparation of the agenda and review of key recommendations to the Board regarding business performance and proposals for budgets/targets, business plans, strategies/policies, investments, financial reporting, shareholders meetings and ensured follow up on decisions made by the Board.
- Reviewed and suggested changes to the documents governing the Board and committees, incl. the Rules of Procedure of the Board, the Chairmanship Charter, charters for the Board committees and the Guidelines for Executive Management.
- Conducted the annual review of the company's shareholder activism and takeover response capabilities.
- Conducted a review of the company's investment portfolio.

#### Annual General Meeting and shareholders

- Reviewed the proposed agenda for the 2020 Annual General Meeting.
- Conducted meetings with 8 of Novo Nordisk's large shareholders.

#### Executive Management and organisation

- Reviewed the organisational structure and employee composition as well as the future need for competences.
- Reviewed the composition of and the succession plan for the Executive Management.
- Reviewed the achievement of the LTIP 2019 targets and recommended to the Board the targets for LTIP 2020.

- Conducted the annual performance evaluation of the Executive Management.

#### Special focus areas

- Strategy execution within the therapy areas and in different markets.
- Digitalisation.
- External innovation – partnering and acquisition to access external innovation.
- Organisational development – talent and leadership development as well as succession preparedness, core capabilities and development of the company culture.
- The COVID-19 pandemic – expected impact for Novo Nordisk and logistics of future Board meetings.

### Audit Committee

#### Key responsibilities

The Audit Committee assists the Board of Directors with: the external auditors; the internal audit function; handling complaints reported through the Compliance Hotline; financial, social and environmental reporting (ESG reporting); internal controls over financial and ESG reporting; business ethics compliance; IT security; and insurance coverage.

#### Composition

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

In March 2020, the Board of Directors elected the following members to the Audit Committee:

- Liz Hewitt (re-elected, member since 2012 and chair since 2015, financial expert)
- Laurence Debroux (re-elected, member since 2019, financial expert)
- Andreas Fibig (re-elected, member since 2018)
- Sylvie Grégoire (re-elected, member since 2015)
- Stig Strøbæk (re-elected, member since 2013, employee-elected Board member)

#### Independence

Out of the five members of the Audit Committee, four members qualify as independent as defined in the Danish Corporate Governance Recommendations and the Act on Approved Auditors and Audit Firms, including the chair, while Stig Strøbæk qualifies as non-independent given that he is an

employee-elected Board member. According to the Danish Corporate Governance Recommendations a majority of the members of a board committee should qualify as independent. Hence, the composition of the Audit Committee adheres to the Danish Corporate Governance Recommendations.

In addition, two members, including the chair, have competences in accounting and auditing and collectively the members of the Audit Committee have competences relevant to the healthcare industry as required by the Danish Act on Approved Auditors and Audit Firms.

Pursuant to the US Securities Exchange Act four members qualify as independent while one member, the employee representative, relies on an exemption to the independence requirements. In addition, two members, including the chair, have been designated as financial experts as defined by the US Securities and Exchange Commission (SEC). Please refer to the Annual Report 2020 on page 44 for an overview of independence.

#### Meeting attendance

In 2020, the Audit Committee conducted five meetings. All Audit Committee members attended all committee meetings within the member's term in 2020, except one member who was excused from one meeting within the member's term in 2020. Please refer to the Annual Report 2020 on page 44 for a detailed attendance overview.

### Audit Committee Report for 2020

According to SEC reporting requirements for listed companies the Audit Committee shall report on their activities.

The Audit Committee works according to an Annual Work Plan with fixed agenda items following key events of the annual financial reporting cycle. In addition, The Audit Committee request topics to be discussed on their meetings from time to time.

For the financial reporting year 2020 the Audit Committee held five meetings and discussed the following matters:

#### Audit Committee matters and governance

- Conducted a performance evaluation including a review of the Audit Committee Charter and assessment of independence, financial expertise and other legal requirements of each member of the Audit Committee.
- Conducted private meetings with selected members of Executive Management, General Counsel, Head of Group

Internal Audit and with the external auditors. Requested similar written response from the remaining members of Executive Management.

#### Review of internal and external audit matters

- Evaluated the performance and the independence of the external auditor.
- Recommended the election of the new external auditor, Deloitte to the Board of Directors and annual general meeting in 2021.
- Reviewed the performance, independence, effectiveness and organisation of the internal audit function including a review of the charter for Group Internal Audit. Assessed the performance of targets and the remuneration for the head of Group Internal Audit.
- The Head of Group Internal Audit and the external auditor presented the audit planning and audit resources. In addition, they presented the annual conclusion and results of audit activities conducted each quarter for review including the conclusion of the audit of internal controls over financial reporting. Finally, Deloitte presented the progress in shadow audit activities at a quarterly basis.
- Furthermore, the external auditor presented its annual long form report, and the annual Audit Committee Report required by the PCAOB.
- The Audit Committee reviewed and approved the pre-approval policy for audit, non-audit and tax services to external auditors, reviewed the given pre-approvals for the current year and pre-approved the level for the next financial year (including engagement letter). Further the Audit Committee reviewed the procedure for hiring employees from external auditors.

#### Financial, social and environmental reporting (including ESG reporting)

- Discussed with the CFO, Head of Finance and Compliance, the General Counsel, Head of Group Internal Audit and the external auditors:
  - material and relevant new accounting pronouncement, implementation of such, review of key accounting policies and the accounting for certain transactions and activities,
  - key accounting matters, incl. judgements and estimates, such as provisions for sales rebates, indirect production costs, ongoing tax and legal cases and intangible assets/impairment hereof,
  - transactions with related parties,
  - the scope of internal controls over financial reporting in relation to the requirements in the Sarbanes Oxley Act and Danish legislation, and

- ESG reporting, key reporting categories within the environmental, social and governance section.
- The Audit Committee performed a review of:
  - the global finance organisation,
  - the financial statement releases for the full year and interim financial reports,
  - the Annual Report including the financial, social and environmental statements (including ESG reporting and internal controls) and the Form-20 F,
  - the bi-annual risk management reporting,
  - the risk reporting process,
  - the company's financial counterpart exposure in the company's treasury policy, and approved an update hereto,
  - the funding structures related to acquisition, and
  - the appropriateness of the insurance coverage regarding property, business interruption and product liability.
- The Audit Committee performed a fraud risk assessment in Novo Nordisk.

#### Other matters

- Reviewed the Compliance reporting from the Chief Compliance officer,
- Reviewed issues reported via Compliance Hotline and the Audit Committee agreed on the performed investigations, conclusions and sanctions reached, and
- Reviewed the Information Security activities and focus areas.
- On behalf of the Board of Directors, reviewed the Diabetes API capacity investment in the US incl. accounting treatment hereof and overall financial impact.

## Nomination Committee

### Key responsibilities

The Nomination Committee assists the Board of Directors with: the competence profile and composition of the Board of Directors; nomination of members for the Board of Directors and board committees; annual evaluation of the Board; and the corporate governance of the company.

### Composition

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

In March 2020, the Board of Directors elected the following members to the Nomination Committee:

- Helge Lund (re-elected, member since 2017 and chair since 2018)
- Sylvie Gregoire (re-elected, member since 2018)
- Kasim Kutay (re-elected, member since 2017)
- Mette Bøjer Jensen (re-elected, member since 2018, employee-elected Board member)

### Independence

Out of the four members of the Nomination Committee, two members qualify as independent as defined in the Danish Corporate Governance Recommendations, including the chair, while Kasim Kutay and Mette Bøjer Jensen qualify as non-independent given that Kasim Kutay is an executive of the main shareholder Novo Holdings A/S and Mette Bøjer Jensen an employee-elected Board member. According to the Danish Corporate Governance Recommendations a majority of the members of a board committee should qualify as independent. Hence, the composition of the Nomination Committee does not adhere 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 representative of the main shareholder as well as an employee-elected Board member, both qualifying as non-independent, being on the Nomination Committee while maintaining an operational structure of the Nomination Committee with relative few members. Please refer to the Annual Report 2020 on page 44 for an overview of independence.

### Meeting attendance

The Nomination Committee conducted four meetings in 2020. All Nomination Committee members attended all committee meetings within the member's term in 2020. Please refer to the Annual Report 2020 on page 44 for a detailed attendance overview.

## Nomination Committee Report for 2020

The Nomination Committee works according to an Annual Work Plan with fixed agenda items. In addition, the Nomination Committee conducts a search process for potential candidates for the Board.

In 2020 the Nomination Committee met four times and dealt with the following matters:

### Board composition

- Reviewed the desired competences to be represented on the Board.
- Reviewed the Board members' competences based on the desired competences.
- Reviewed the Competency Profile of the Board, including the diversity ambition for the Board and recommended to the Board a revision of the diversity ambition.
- Reviewed the composition of the Board and discussed long term succession planning.

### Search for and nomination of Board members

- Established search profile, conducted search, including interviews of potential candidates and recommended to the Board specific proposals for the nomination of individual members to be elected at the Annual General Meeting as Chairman, Vice Chairman and board members.
- Reviewed feedback from stakeholders on the candidates nominated for the AGM 2020.
- Reviewed the composition of the Board committees and recommended to the Board specific proposals for the election of individual members as Board committee members.

### Board evaluation

- Approved the scope and approach of the Board evaluation in 2020.
- Endorsed the external consultant to facilitate the Board evaluation 2020.

### Nomination Committee matters and governance

- Endorsed the Annual Work Plan for 2020.
- Discussed the approach to the 2020 Board evaluation process.
- Reviewed the Nomination Committee charter.
- Conducted private meetings without the assigned executive being present.
- Endorsed a report on the Nomination Committee's activities.

### Special focus areas

- Nomination of Board candidates – reviewed the composition of the Board, identified and interviewed candidates and considered the long-term succession planning.
- Competences – reviewed the desired competences to be represented on the Board.

## Remuneration Committee

### Key responsibilities

The Remuneration Committee assists the Board of Directors with: the Remuneration Policy; and the actual remuneration of the Board members, Board committees and Executive Management.

### Composition

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

In March 2020, the Board of Directors elected the following members to the Remuneration Committee:

- Jeppe Christiansen (re-elected, member since 2015 and chair since 2017)
- Brian Daniels (re-elected, member since 2018)
- Liz Hewitt (re-elected, member since 2018)
- Anne Marie Kverneland (re-elected, member since 2017, employee-elected Board member)

### Independence

Out of the four members of the Remuneration Committee, two members qualify as independent as defined in the Danish Corporate Governance Recommendations, while Jeppe Christiansen and Anne Marie Kverneland qualify as non-independent given that Jeppe Christiansen is a Board member of the main shareholder Novo Holdings A/S and Anne Marie Kverneland an employee-elected Board member. According to the Danish Corporate Governance Recommendations a majority of the members of a board committee should qualify as independent. Hence, the composition of the Remuneration Committee does not adhere 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 who is a representative of the main shareholder

as well as an employee-elected Board member, both qualifying as non-independent, being on the Remuneration Committee while maintaining an operational structure of the Remuneration Committee with relative few members. Please refer to the Annual Report 2020 on page 44 for an overview of independence.

### Meeting attendance

The Remuneration Committee conducted five meetings in 2020. All Remuneration Committee members attended all committee meetings in 2020, except one member who was excused from one meeting in 2020 within the member's term in 2020. Please refer to the Annual Report 2020 on page 44 for a detailed attendance overview.

## Remuneration Committee Report for 2020

The Remuneration Committee works according to an Annual Work Plan with fixed agenda items. In addition, the Remuneration Committee meets when developments require additional meetings.

In 2020 the Remuneration Committee met five times and dealt with the following matters:

### Remuneration of the members of the Board of Directors and its committees

- Determined the peer group for the 2020 remuneration benchmark.
- Reviewed Nordic and European Benchmark Data on Board and Board Committee remuneration and recommended to the Board the remuneration levels, multiples and allowances for 2021 to be approved by the Annual General Meeting.
- Reviewed Group Internal Audit's report on Board remuneration.

### Remuneration of the members of Executive Management

- Determined the peer group for the 2020 remuneration benchmark.
- Reviewed Nordic and European Benchmark Data on executive remuneration.
- Discussed trends in executive remuneration.
- Reviewed executive remuneration in light of the COVID-19 pandemic.

- Recommended to the Board changes in remuneration in 2020 as well as the general remuneration level for 2021.
- Reviewed the short-term cash-based incentive programme for the Executive Management and recommended to the Board the structure for 2021.
- Reviewed the long-term share-based incentive programme for the Executive Management and recommended to the Board the structure for 2021.
- Reviewed the shareholding requirements for executives as well as the executives' adherence to the shareholding requirements.
- Reviewed Group Internal Audit's reports on executive and other senior management remuneration.

### Remuneration Policy for the members of the Board of Directors and Executive Management

- Reviewed and recommended to the Board changes to the Remuneration Policy to be approved by the Annual General Meeting.

### Reporting on Remuneration

- Evaluated the Remuneration Report 2019, including a review of stakeholder feedback.
- Reviewed and recommended to the Board the Remuneration Report for 2020.

### Remuneration Committee matters and governance

- Endorsed the Annual Work Plan for 2021.
- Reviewed the Remuneration Committee Charter.
- Conducted private meetings without the assigned executive being present.
- Endorsed the report on the Remuneration Committee's activities.

### Special focus areas

- COVID-19 – Review of executive remuneration in light of the COVID-19 pandemic.
- Remuneration of executives – assessing the design and structure of the short-term incentive programme as well as the long-term incentive programme for the Executive Management in 2021.
- Remuneration Report – reviewing the Remuneration Report to be presented to the Annual General Meeting with a focus on enhancing the transparency in remuneration reporting even further compared to the previous year.

## Research & Development Committee

### Key responsibilities

The Research & Development Committee assists the Board of Directors with: the research and development strategy; the pipeline; and the R&D organization.

### Composition

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

In March 2020, the Board of Directors elected the following members to the Research & Development Committee:

- Martin Mackay (re-elected, chair and member since 2018)
- Brian Daniels (re-elected, member since 2017)
- Sylvie Gregoire (re-elected, member since 2017)
- Kasim Kutay (elected, member since 2020)
- Thomas Rantzau (re-elected, member since 2018, employee-elected Board member)

### Independence

Out of the five members of the Research & Development Committee, three members qualify as independent as defined in the Danish Corporate Governance Recommendations, including the chair, while Kasim Kutay and Thomas Rantzau qualify as non-independent given that Kasim Kutay is an executive of the main shareholder Novo Holdings A/S and Thomas Rantzau an employee-elected Board member. According to the Danish Corporate Governance Recommendations a majority of the members of a board committee should qualify as independent. Hence, the composition of the Research & Development Committee adheres to the Danish Corporate Governance Recommendations. Please refer to the Annual Report 2020 on page 44 for an overview of independence.

### Meeting attendance

The Research & Development Committee conducted five meetings in 2020. All Research & Development Committee members attended all committee meetings within the member's term in 2020. Please refer to the Annual Report 2020 on page 44 for a detailed attendance overview.

## Research & Development Committee Report for 2020

The R&D Committee works according to an Annual Work Plan with fixed agenda items. In addition, the R&D Committee meets when additional meetings are required.

The R&D Committee has in 2020 met five times and dealt with the following matters:

### R&D pipeline update

- Regularly reviewed progress of the development project pipeline, including initiation and results of clinical trials, submission of application for marketing authorisations, and receipt of marketing authorisations for key development projects.
- Reviewed progress of the research project pipeline, including key challenges and initiatives within early innovation and new therapeutic areas.

### Progress within external innovation sourcing

- Discussed the business development strategy and reviewed the progress.
- Regularly reviewed potential as well as completed external innovation sourcing opportunities, including potential acquisitions and licensing opportunities.

### Implementation of the R&D Strategy

- Reviewed the long-term resource allocation to and within R&D.
- Reviewed the research strategy within NASH and cardiovascular disease.

### The R&D organisation

- Reviewed the research organisation within a therapy area and technologies across therapy areas.
- Reviewed organisational development activities and the long-term succession planning.

### R&D Committee matters and governance

- Reviewed and endorsed the Annual Work Plan for 2021.
- Reviewed the R&D Committee charter.
- Conducted private meetings without the assigned executive being present.
- Reviewed and endorsed a report on the R&D Committee's activities.

### Special focus areas

- GLP-1 (subcutaneous and oral): Reviewed results of clinical trials conducted and discussed potential additional research and development activities to further explore opportunities within subcutaneous and oral GLP-1 as well as competitor initiatives.
- Mild cognitive impairment and mild dementia: Discussed the potential opportunities to address unmet needs.
- External innovation sourcing: Reviewed potential external research collaborations as well as acquisitions.

## Executive Management

### Key responsibilities

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.

To ensure the organisational implementation of our strategy, Executive Management has established a Management Board consisting of the Chief Executive Officer, Executive Vice Presidents and Senior Vice Presidents.

### Composition

The members of Executive Management are appointed by the Board of Directors. No changes were made in the composition of Executive Management in 2020.

As of 31 December 2020, Executive Management consisted of the following nine members, including the Chief Executive Officer:

- Lars Fruergaard Jørgensen (president & Chief Executive Officer (CEO))
- Monique Carter (Executive Vice President and head of People & Organisation)
- Maziar Mike Doustdar (Executive Vice President and head of International Operations)
- Ludovic Helfgott (Executive Vice President and head of Biopharm)
- Karsten Munk Knudsen (Executive Vice President and Chief Financial Officer (CFO))
- 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, Quality & IT)

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

### Meetings

Executive Management meets at least once a month and due to COVID-19 a significant number of their meetings and other activities in 2020 were conducted virtually.

## 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 Novo Nordisk in terms of geography, activities and functional areas.

All business activity has inherent risk. Our approach to 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 and examples of such categories are:

- Research and Development Risks
- Product supply, Quality and Safety Risks
- Commercialisation Risks
- IT Security Risks
- Financial Risks
- Legal and Compliance Risks

Please refer to the Annual Report 2020 on page 34-35 for a more detailed description of the above categories and Novo Nordisk's key risks.

### 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.

Biannually, management teams are required to report to the Insurance & Enterprise Risk department 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.

Insurance & Enterprise Risk then challenges management on the reported risk information (including assessments, implemented mitigations and next milestones), and consolidates on a biannual basis reported risks into a corporate profile containing the company's key risks. The final risk profile is reviewed by Executive Management, the Audit Committee and the Board of Directors.

## 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 Policy
- 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 'Purpose and Sustainability' on page 11-19 in the Annual Report 2020.

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 and compliance, 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 'Risk Management' on page 34-35 in the Annual Report 2020 and in note 1.1 'Principal accounting policies and key accounting estimates' of the Consolidated Financial Statements.

### 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 the Danish Corporate Governance Recommendations

As a company incorporated in Denmark and with a primary listing on Nasdaq Copenhagen, Novo Nordisk is required to comply 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 adheres to all Danish Corporate Governance Recommendations (2017)<sup>8</sup> except five recommendations. Below is a description of Novo Nordisk's approach in relation to the five Danish Corporate Governance Recommendations that Novo Nordisk does not adhere to. For a full review of Novo Nordisk's compliance with and explanations to all applicable Danish Corporate Governance recommendations, please refer to the report "Danish Corporate Governance Recommendations - Nasdaq Copenhagen" available at Novo Nordisk's webpage.<sup>9</sup>

### The Danish Corporate Governance Recommendations (2017)

	Danish Corporate Governance Recommendations (2017)	Novo Nordisk's approach
3.3.2	<p>The Committee <b>recommends</b> that the management commentary, in addition to the provisions laid down by legislation, includes the following information about the members of the board of directors:</p> <ul style="list-style-type: none"> <li>• the position of the relevant person;</li> <li>• the age and gender of the person in question;</li> <li>• the person's competencies and qualifications that are relevant to the company;</li> <li>• whether the member is considered independent;</li> <li>• the member's date of appointment to the board of directors;</li> <li>• expiry of the current election term;</li> <li>• the member's participation in the meetings of the board of directors and committee meetings;</li> <li>• other management functions, including memberships in executive boards, boards of directors, and supervisory boards, including board committees in Danish and foreign enterprises and demanding organisational tasks; and</li> <li>• the number of shares, options, warrants and similar owned by the member in the company, and other group companies, as well as changes to the member's portfolio of the mentioned securities which have occurred during the financial year.</li> </ul>	<p>The information mentioned in bullet no. 1-8 is included in the management commentary of the Annual Report.</p> <p>In relation to the information mentioned in bullet no. 9, Novo Nordisk has prepared a separate Remuneration Report that describes the remuneration awarded or due during 2020 to the members of the Board and Executive Management of Novo Nordisk A/S as registered with the Danish Business Authority. This report furthermore includes a description of key developments in remuneration in 2020, the actual remuneration of Board members and Executives, an overview of remuneration awarded during the previous 5 financial years, remuneration benchmarks and shareholdings by Board members and Executives. The Remuneration Report is available at <a href="http://novonordisk.com">novonordisk.com</a>.</p> <p>Thus, information on number of shares, options, warrants and similar owned by the Board members in the company, and other Novo Nordisk group companies, as well as changes to the Board members' portfolio of the mentioned securities which have occurred during the financial year is disclosed in the Remuneration Report. Consequently, information mentioned in bullet no. 9 is disclosed in the Remuneration Report and not in the management commentary.</p>
3.4.2	<p>The Committee <b>recommends</b> that a majority of the members of a board committee be independent.</p>	<p>The Board of Directors wishes to allow for both a representative of the main shareholder as well as an employee representative to be on the committees while maintaining an operational structure of the committees with relative few members. Consequently, the composition of the Nomination Committee and the Remuneration Committee does not adhere to the recommendation.</p>

8. Novo Nordisk will report on the new Danish Corporate Governance Recommendations (2020) in 2022 in connection with the Annual Report for 2021.

9. <https://www.novonordisk.com/about/corporate-governance/recommendations-and-practices.html>.

<p><b>3.4.6</b></p>	<p>The Committee <b>recommends</b> that the board of directors establish a nomination committee, which is at least, responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• describing the qualifications required by the board of directors and the executive board and for a given position, indicating the time expected to be spent carrying out a specific position, as well as assessing the competencies, knowledge and experience found in the two governing bodies,</li> <li>• annually assessing the structure, size, composition and results of the board of directors and the executive board and recommend any changes to the board of directors,</li> <li>• annually assessing the competencies, knowledge, experience and succession of the individual members of management, and report to the board of directors in this respect,</li> <li>• recommending candidates for the board of directors and the executive board, and</li> <li>• proposing an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.</li> </ul>	<p>The Board has established a Nomination Committee. The Board has approved a Charter for the Nomination Committee setting out its responsibilities and powers.</p> <p>The primary focus for the Nomination Committee remains with defining the qualifications and assessing the composition and skills of the Board of Directors while at the same time ensuring the continuity and alignment in the succession planning of the Board of Directors, while the Chairmanship is responsible for succession management and recommending candidates for the Executive Management.</p>
<p><b>3.4.7</b></p>	<p>The Committee <b>recommends</b> that the board of directors establish a remuneration committee, which is at least, responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• recommending 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,</li> <li>• making proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensuring 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 on the total remuneration that members of the board of directors and the executive board receive from other companies in the group,</li> <li>• recommending a remuneration policy applicable for the company in general, and</li> <li>• assisting with the preparation of the annual remuneration report.</li> </ul>	<p>The Board has established a Remuneration Committee and 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 lies with Executive Management. The Remuneration Committee assists with the preparation of the Remuneration Report.</p>
<p><b>4.1.5</b></p>	<ul style="list-style-type: none"> <li>• The Committee <b>recommends</b> that the total value of the remuneration relating to the notice period, including severance pay, do not exceed two years of remuneration, including all components of the remuneration.</li> </ul>	<p>Except for one executive employment contract entered into before 2008, the total value of the remuneration relating to the notice period, and of the severance pay, for each individual executive does not exceed two years of remuneration, including all components of the remuneration.</p>

# Appendix 2

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

Novo Nordisk's B-shares are listed on the New York Stock Exchange (NYSE) as American Depositary Receipts (ADRs). As a foreign private issuer, Novo Nordisk is required to comply with US securities law, including the Sarbanes–Oxley Act and the NYSE Corporate Governance Standards except that these standards allow Novo Nordisk to continue to apply Danish corporate governance practices with few exceptions. Foreign private issuers following the practice in their home countries are, however, required to describe significant differences between NYSE's and the foreign companies' corporate governance standards.

Below is a summary of the significant differences between Novo Nordisk's corporate governance standards and those imposed by the NYSE on US companies. For a full review of Novo Nordisk's compliance with and explanations to all NYSE Corporate Governance Standards, please refer to the report "Corporate Governance Standards - New York Stock Exchange" available at Novo Nordisk's webpage.<sup>10</sup>

### NYSE Listed Company Manual – Section 303A

	Corporate Governance Standard <sup>11</sup>	Novo Nordisk's 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 Board members of, 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 shareholder-elected Board members.</p> <p>The Board of Directors has determined whether the 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 consider independent under NYSE's 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>The Board of Directors has established a Remuneration Committee and the Remuneration Committee consists of two independent members and two non-independent members, including the chair, pursuant to the Danish Corporate Governance Recommendations. One member is an employee-elected Board member.</p>

<sup>10</sup> <https://www.novonordisk.com/about/corporate-governance/recommendations-and-practices.html>.

<sup>11</sup> Text is shortened and slightly modified to make it more reader-friendly.

		<p>According to the Danish Corporate Governance Recommendations a majority of the members of a board committee should 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, who is a representative of the main shareholder, and an employee-elected Board member, who both qualify as non-independent Board members, 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><b>Rule 2.(b)(i)</b></p>	<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-based employees of the company.</p> <p>One director serves as Chief Executive Officer of the main shareholder, Novo Holdings A/S.</p> <p>No other Board members or their 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>
<p><b>Rule 2.(b)(ii)</b></p>	<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>The 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-based employees of the company. These receive remuneration as employees.</p> <p>One Board member serves as Chief Executive Officer of the main shareholder, Novo Holdings A/S, and thus may be deemed non-independent due to the receipt of remuneration as executive of Novo Holdings A/S.</p> <p>No other Board members or their immediate family members receive or have received such fees from Novo Nordisk.</p>
<p><b>Rule 4.(a)</b></p>	<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 Board of Directors has established a Nomination Committee and the Nomination Committee consists of two independent members, including the chair, and two non-independent members pursuant to the Danish Corporate Governance Recommendations. One member is an employee-elected Board member.</p>

According to the Danish Corporate Governance Recommendations a majority of the members of a board committee should 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 representative of the main shareholder, and an employee-elected Board member, who both qualify as non-independent Board members, being on the Nomination Committee while maintaining an operational structure of the Nomination Committee with relative few members.

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.

The Nomination Committee is responsible for the oversight of the company's corporate governance practices.

#### 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).

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.

The Board of Directors has established a Remuneration Committee and the Remuneration Committee consists of two independent members, and two non-independent members, including the chair pursuant to the Danish Corporate Governance Recommendations. One member is an employee-elected Board member.

According to the Danish Corporate Governance Recommendations a majority of the members of a board committee should 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 who is a representative of the main shareholder and an employee-elected Board member, who both qualify as non-independent Board members, being on the Remuneration Committee while maintaining an operational structure of the Remuneration Committee with relative few members.

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.

Furthermore, the Chairmanship annually evaluates the performance and target setting for Executive Management.

<b>Rule 7.(a)</b>	<p>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>	<p>The Audit Committee has five members.</p> <p>Four Audit Committee members 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-elected Board member 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>
<b>Rule 7.(b)(i)</b>	<p>The audit committee must have a written charter that addresses the committee's purpose – which, at minimum, must be to:</p>	<p>The Audit Committee has a written Charter, which is reviewed and approved annually by the Board of Directors. As stated in the Audit Committee 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.</p>
<b>Rule 7.(b)(i)(A)</b>	<p>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).</p>	<p>The Audit Committee Charter is available on Novo Nordisk's website.</p>
<b>Rule 8</b>	<p>Shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions thereto, with limited exemptions explained below.</p> <p>[Text abbreviated]</p>	<p>The Remuneration Policy is approved by the Annual General Meeting. The Remuneration Policy describes the framework for incentive programs for the Board of Directors 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 shareholders voting on specific 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>
<b>Rule 10</b>	<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"> <li>• Conflicts of interest.</li> <li>• Corporate opportunities.</li> <li>• Confidentiality.</li> <li>• Fair dealing.</li> <li>• Protection and proper use of company assets.</li> <li>• Compliance with laws, rules and regulations (including insider-trading laws).</li> <li>• Encouraging the reporting of any illegal or unethical behaviour.</li> </ul>	<p>Novo Nordisk has a framework of rules and guidelines, including but not limited to the Novo Nordisk Way, the Business Ethics Code of Conduct, supported by the Ethics Navigator, which describe corporate values and required mindset and action 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> <p>The Business Ethics Code of Conduct is available on Novo Nordisk's website.</p>
<b>Rule 12.(a)</b>	<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>