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2016 HIGHLY COMMENDED COMMUNICATING INTEGRATED THINKING

LESSONS IN DRIVING BUSINESS SUSTAINABILITY

NOVO NORDISK

Novo Nordisk is a global healthcare company headquartered in Denmark. Its long-term commitment to behave in a financially, environmentally and socially responsible way led to its use of a wide and comprehensive range of means to communicate its integrated thinking. 'The objective of going for an integrated report,' said Susanne Stormer, who leads the corporate sustainability function, 'was that we wanted to enhance the readers' evaluation of the company in terms of our performance and also, importantly, the company's position for the future.' And it is the deep thinking behind the company's communications which has brought it such strength. The communication sends a strong message to shareholders and potential investors and enhances their decision making, while also leading to better informed decisions internally. It brings information about financial, environmental and social performance together, reflecting the company's triple bottom line. The process of getting there was carefully planned. 'We achieved it,' said Stormer, 'by bringing it all together into one document, the annual report, the legal document, the information about the company's financial performance and the company's environmental and social performance.' This became the embodiment of, as Stormer put it: 'A reflection of the triple bottom line which is our business principle, the principle on which we build our business and create long-term value for shareholders and other stakeholders.'

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And everything else follows on naturally from there. 'On top of providing the performance information in the statements, the narrative management report explains in a magazine style article format what the management's perspective is on various dimensions relevant to the business, so that the investors and other readers will get a picture and will have an impression of how we do business. Our intent is

to invite them inside the company, so to speak.' This is at the heart of the way that they communicate integrated thinking. 'The intent is to communicate integrated thinking by having an explanation of how we make decisions,' says Stormer. 'So when we use the triple bottom line we use it to make decisions in the perspective of looking at financial viability, how we spend, how we earn our money, our social responsibility to patients, employees, communities, and environmental responsibility towards nature. For example when we talk about our performance during the year, we naturally have to explain how these factors have determined the choices we made.' And the benefits from this rigorous thinking come through in other ways.

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'It is important to us to communicate integrated thinking because that is how we do business,' said Stormer. 'So we want our readers of the report and our stakeholders with whom we interact to understand that this is how we do business. That was a very important objective. The benefits of that process have been that readers do get a better picture of what the company's position is for the future and also they get an idea of the character of the company and about how decisions are made.'



Novo Nordisk is a global healthcare company and the world's largest producer of insulin

The aim is to enable the company to get as close as possible to its shareholders and stakeholders. ‘We know that one of the “asks” that readers would have of an annual report is “Could we please get into your boardroom”,’ she said.

‘That is not feasible but we can take them as closely into the boardroom as possible, by conveying in an authentic and personal voice how we deal with dilemmas, and how we make decisions and what are the consequences of those decisions.’ The integrated annual report is the backbone for communication to investors, enabling them to make 360° assessments of performance.

The project was driven by a close collaboration between the finance and sustainability functions. The rigour and discipline of financial data was emulated with social and environmental data, while the presentation of sustainability performance with contextual information inspired the format for the financial statements. The emphasis on the triple bottom line allows the company to grow both profitably and responsibly.

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Publishing its Blueprint For Change reports emphasises the company’s belief that communicating integrated thinking reflects how they do business. People get a better idea about the character of the company and how decisions are made. The finance function has been central to this. ‘The finance function was instrumental in driving this forwards,’ said Stormer. ‘When we began to experiment with the thinking around integrating sustainability reporting and financial reporting this had not been seen before, so we were definitely breaking new ground. And our chief of finance at the time was extremely supportive, even if we didn’t know what the end goal would look like. We have made a journey and we are not at the final destination yet,’ she said. ‘During the process of how we developed the formats and fine-tuned the quality of the contents of the report we worked seamlessly together with our finance function.’ The world of reporting has long been dominated by a focus on the financials, particularly true when Novo Nordisk first started to develop its integrated reporting approach. Standards for non-financial, environmental or social reporting are less generally accepted than financial reporting standards and what there is does not lend itself easily to integration into an annual report.

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There is also a challenge in how to measure and account for performance on the six capitals of the International Integrated Reporting Framework and how to fully reflect connectivity across different issues and areas of performance. This was one of the challenges the company faced.



The Corporate Accounting Services are a vital partner in the preparation of the company’s integrated annual report

‘The standards which are available for environmental and social reporting do not easily lend themselves to integration into an annual report,’ said Stormer. ‘So we have been able to make it this far by simply challenging conventional thinking. But what it takes for us to get to that final destination is a need to have frameworks. That is why we were so deeply involved in the making of the Integrated Reporting framework.’

We do pledge allegiance to that as, if not the answer, then at least it is the initiative that will be able to take us forward to make a much more truly integrated reporting framework.’

And the overwhelming lesson that Novo Nordisk learned in the process was the importance of working together. ‘The main lesson we have learned,’ said Stormer, ‘is that by working together with many functions, both the finance function, investor relations, strategy, communications, business planning, we have built a much broader and much deeper common understanding of how the triple bottom line philosophy pans out in reality. And it shows us how we can convey, in a disciplined and structured way, what that means for shareholders and for other stakeholders and how it influences decision making.’

WHAT THE JUDGES SAID

Novo Nordisk has told a highly impressive story of integration across the business through its comprehensive suite of communications. It is clear that both internally and externally non-financial data is going through the same rigour as financial data.