

## consolidated non-financial statements

In 2004 Novo Nordisk began to report on the company's financial and non-financial performance in one, inclusive document, the Annual Report. This move reflects the company's objective to 'strive to conduct its activities in a financially, environmentally and socially responsible way'. Recognising that truly integrated reporting is more than putting two documents into one volume, Novo Nordisk has embarked on a process to further integrate reporting practices. This entails alignment of key priorities, target-setting and definition of key performance indicators, in consultations that involve internal and external stakeholders. This is done in respect of current best practice and the principles of materiality, completeness and responsiveness (see p. 107). Data definitions are included in accounting policies on pp 98–99.

One step in this direction is a revision of past years' format for reporting on the company's sustainability-driven activities. The 'Environmental and social high-

lights table' and the 'Triple Bottom Line performance indicators' presented in *Novo Nordisk Annual Report 2004* have been reviewed on the basis of feedback from stakeholders and as part of the assurance process. As a result, material performance data are presented in the 'Non-financial highlights' (see p 53). The Non-financial Statements on the following pages present and discuss performance during 2005. The selection of information reflects evolving priorities in response to business and societal challenges.

To ensure transparency, an update of the complete 'Environmental and social highlights table' and the 'Triple Bottom Line performance indicators' is available online along with interactive charts for underlying data at [novonordisk.com/annual-report:how-we-perform](http://novonordisk.com/annual-report:how-we-perform).

### Economics

#### Economic impacts

The development in the economic indicators has been as expected. Expenditure on R&D is an important capacity builder for society and a source of innovation creating future profitability for Novo Nordisk.

The ratio of expenditure on R&D to expenditure on physical investments (1.3:1) reflects the continued increasing importance of R&D for Novo Nordisk. In the period 2000–2002 this ratio was 0.9:1 and 1:1. The slight increase in the share of R&D as a share of sales (from 15.0% in 2004 to 15.1% in 2005) reflects the fact that R&D expenditure has risen by 17% while sales have risen by 16%. The wage share of R&D (41.2%) is an indication of the company's impact as a capacity builder in the community.

Most production facilities, 55% of the full-time employees and 79% of tangible assets are in Denmark. The level and location of the absolute investment is a measure of the company's economic capacity in the near future and reflects its aim to supply the market with products and to continue its internationalisation. In 2005, Novo Nordisk invested DKK 4 billion in new production facilities globally (in Brazil, the US, France and China), up from DKK 3 billion in 2004.

Remuneration constituted 34% of the cash added value, mainly in the developed world, and particularly in Denmark, where the majority of Novo Nordisk's workforce is located. The value added per employee is DKK 794,000 indicating the high productivity of Novo Nordisk's employees.

In 2005, Novo Nordisk created 1,735 new positions globally and had 22,007 full-time positions; measured as full-time equivalents (FTE). These jobs translate into 52,200 indirect global jobs in the supply chain from production needs and employees' private consumption. The majority is due to production (41,400) but also the effect of private consumption from Novo Nordisk employees is significant (10,800).

Measured by turnover Novo Nordisk is the 11th largest company in Denmark. In terms of R&D investments Novo Nordisk is the largest Danish company and ranks as number 36 on a European scale (in 2003 numbers). Among European pharmaceutical companies Novo Nordisk ranks as number eight regarding R&D investments.

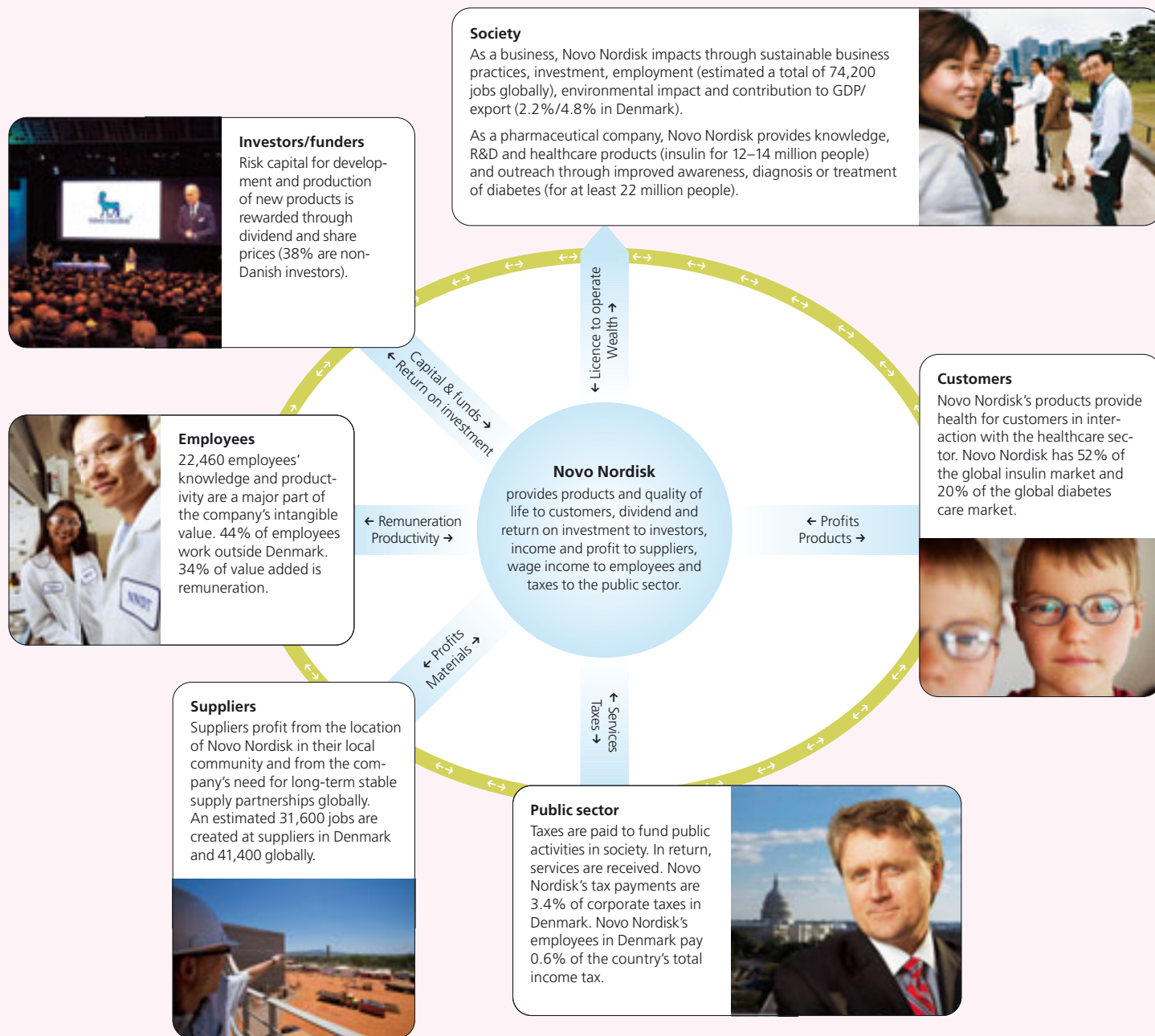
In 2005, total corporate taxes constituted 7% of sales. In Denmark 13% of taxes are paid as local taxes and 87% as state taxes. In 2005, Novo Nordisk accounts for 3.4% of Danish corporate taxes and an estimated 0.6% of employment in Denmark. Novo Nordisk employees accounted for 0.6% of total Danish income taxes.

Novo Nordisk's sales in 2005 accounted for 2.2% measured as a share of Danish GDP, as compared to 2% in 2004. In 2005, the company's economic contribution to overall economic wealth for the Danish society was 1.3% of Gross Value Added (GVA), and 4.8% of Danish exports compared to 3.9% in 2004.

		2005	2004	2003
Ratio of R&D expenditure to tangible investments		<b>1.3:1</b>	1.5:1	1.8:1
R&D as share of sales	%	<b>15.1</b>	15.0	15.5
Total tangible investments	DKK million	<b>4,009</b>	2,999	2,273
Remuneration as share of cash value added	%	<b>34</b>	34	34
Employment impact worldwide (direct and indirect)	Jobs	<b>74,200</b>	69,500	64,900
Total corporate tax as share of sales	%	<b>7.0</b>	8.4	9.7
Novo Nordisk exports as share of Danish exports	%	<b>4.8</b>	3.9	4.4

**Novo Nordisk's economic stakeholder model**

This model illustrates Novo Nordisk and its economic stakeholders and the interactions that drive economic growth in well-developed societies. When, for instance, investors provide risk capital so that Novo Nordisk can develop new products, this will benefit customers, employees and suppliers. For customers, in turn, the products from Novo Nordisk improve their ability to contribute to society. When employees, suppliers and investors spend their income to buy goods and services and make investments, they too contribute to wealth generation in society. And in their capacity as citizens in the local and global community, all economic actors pay taxes to the public sector in return for services. Novo Nordisk's sustainable business practices are mechanisms that improve the outcome of the market economy model. The interactions and multiplier effects are illustrated by the green circle linking the stakeholders.



**Cash value distribution (2005)**

		DKK million	Cash received	Cash added value
Customers	a: Cash received for products and services (from sales)	33,028	100%	
Suppliers	b: Cash payments for materials, facilities and services <sup>*)</sup>	15,556	47%	
Company cash	Cash added value (a minus b)	17,472		100%
Employees	c: Remuneration	11,277	34%	65%
Investors/funders	d: Dividend and interest payments	4,691	14%	27%
Public sector	e: Taxes	2,138	6%	12%
Management	f: Future growth	(634)	(1%)	(4%)

<sup>\*)</sup> Cash payments outside Novo Nordisk. The figure includes cash received from licence fees, realised exchange rate gains and interest income.

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## Environment

### Resources

The consumption of resources has increased since 2004. This is the case for both water and energy consumption, which increased by 9% and 7% respectively. However, at the same time the efficiency of water and energy use improved by 8% and 9% respectively (see EPI data below). The consumption of

materials increased by 35%. The large increase is mainly due to changes in the production process in Kalundborg, resulting in a high consumption of certain raw materials.

		2005	2004	2003
Water consumption	1,000 m <sup>3</sup>	<b>3,014</b>	2,756	2,621
Energy consumption	1,000 GJ	<b>2,591</b>	2,408	2,299
Raw materials and packaging materials	1,000 tons	<b>150</b>	111	110

### Waste water

The changes in the measured components in waste water with regard to nitrogen and phosphorus are at the same level as in 2004, as expected with the increase in the production. Emissions of COD have decreased by 10%. A

significant part of the decrease is due to a 38% decrease in the COD quantity at site Bagsværd due to a lower COD content in the wastewater from the production facilities.

		2005	2004	2003
COD	Tons	<b>1,303</b>	1,448	1,187
Nitrogen	Tons	<b>126</b>	121	122
Phosphorus	Tons	<b>22</b>	21	21

### Waste

There has been an increase in solid waste of 9% compared to 2004. This is a combination of an increase in the non-hazardous waste of 32% and a decrease in hazardous waste of 8%. The increase in non-hazardous waste is mainly due to the registration of a new waste fraction at site Hillerød which accounts for 16% of total non-hazardous waste. The recycling percentage has decreased to 33% from 40% in 2004. Since 2003, large quantities of ethanol waste from site

Kalundborg are sent for destruction elsewhere and not recycled for safety and environmental reasons. This development follows the change in production towards producing more insulin analogues. The site is working with a range of initiatives to ensure a high rate of regeneration of the ethanol before it becomes waste. The solid waste is exclusive of the quantity of by-products.

		2005	2004	2003
Total waste	Tons	<b>23,776</b>	21,855	21,356
– Non-hazardous waste	Tons	<b>12,145</b>	9,203	9,370
– Hazardous waste	Tons	<b>11,631</b>	12,652	11,986
Recycling percentage	%	<b>33</b>	40	41

### Emissions to air

In 2005, emissions to air generally developed as expected. The emission of organic solvents has increased by 8%, which is due to smaller increases at all sites. Of energy-related emissions, CO<sub>2</sub> increased by 5% due to a general increase in energy consumption by 7%. In 2005, Novo Nordisk decided to change the method for calculating energy-related emissions. This new calculation

method is in compliance with the GHG Protocol and approved by WWF as a basis for Novo Nordisk's inclusion in the Climate Savers programme (see Accounting policies on p. 98). Using this new calculation method, the level of CO<sub>2</sub> emissions has increased for all reporting years except for 2004, where it is lower than reported in 2004.

		2005	2004	2003
CO <sub>2</sub>	1,000 tons	<b>226</b>	214	206
Organic solvents	Tons	<b>124</b>	115	137

**Eco-productivity indices (EPI)**

The eco-productivity indices (EPIs) for water and energy improved by 8% and 9% respectively, as compared with 2004. In the period 2001–2005 the average annual realised improvements are 8% for water and 14% for energy, as measured by EPI indices. Hence, the five-year targets of improvements of the water and energy use efficiency at 5% and 4% per annum, respectively, have been achieved. As of 2006, a new indicator will be used to measure consumed water and energy against production: the Eco Intensity Ratios (EIR) for water and energy. EIR for the two production areas, Diabetes Care and Biopharmaceuticals, will be reported. There will not be an aggregated target of EIR for

Novo Nordisk. A long-term target covering 2006–2010 for the EIR will be set during 2006 and will be based on lessons learned in 2006 with the new indicator. EIR targets have been set for water and energy for 2006. To get the best experience with EIR, the target is based on a bottom-up process where Production has given its best estimates for energy and water consumption and related these to the forecasted production. The EIR targets are implemented in the Balanced Scorecard for Novo Nordisk as well as in the bonus scheme. A more comprehensive explanation of the EIR concept will be stated in the next Annual Report.

	2005	2004	2003
EPI for water	<b>108</b>	107	110
EPI for energy	<b>109</b>	108	124

**Compliance**

In 2005, Novo Nordisk continued to be challenged on compliance. The number of breaches of regulatory limit values increased to 174 from 74 in 2004. The number of accidental releases increased from 29 in 2004 to 83 in 2005. The targets for both indicators are zero and were therefore not met. The registered breaches and accidental releases are evaluated to be minor incidents with no or only minor impact on the external environment. 164 out of 174 breaches of regulatory limits (94%) are related to pH and temperature in waste water, which are monitored through continuous measurements. The increase in the number of breaches is therefore largely due to the fact that there have been challenges in dealing with pH in the wastewater at most sites in spite of the fact that the company has invested up to DKK 10 million per neutralisation system at

some sites. Several initiatives have been taken to ensure increased focus on compliance and one reporting standard has been successfully implemented globally. 50 out of the 83 accidental releases (60%) were related to accidental releases of cooling agents such as HCFCs and HFCs. A campaign in 2005 focused on accidental releases from these types of facilities. In 2005, there was one accidental release of GMOs at the site in Montes Claros. There will be a continued focus on compliance and preventive measures to help curb the curve. In 2006 a three-stringed approach will be taken to address this challenge: first, a revision of approvals in close cooperation with authorities; second, education; and third, focused exchange of experiences.

		2005	2004	2003
Breaches of regulatory limit values	Number	<b>174</b>	74 *)	105
Accidental releases	Number	<b>83</b>	29 *)	20

\*) Was reported as 76 and 30. Reporting error now corrected.

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## Social

### Living our values

Novo Nordisk's performance improved or remained at a high level on all parameters in the area of 'living our values'. In the annual climate survey, eVoice, the average of respondents' answers as to whether 'social and environmental issues are important for the future of the company' remained at a high level of 4.2 (on a scale from 1–5, with 5 being the highest score). Also in eVoice, the average of

respondents' answers as to whether 'my manager's behaviour is consistent with Novo Nordisk's values' stayed at the same level of 4.0; both above the target of  $\geq 3.5$ . There has been 100% fulfilment of action points arising from facilitations, thus exceeding the target of 80% fulfilment.

		2005	2004	2003
Average of respondents' answers as to whether social and environmental issues are important for the future of the company		4.2	4.2	4.0
Average of respondents' answers as to whether their manager's behaviour is consistent with Novo Nordisk's values		4.0	4.0	3.8
Fulfilment of action points planned arising from facilitations of adherence to Novo Nordisk Way of Management and values	%	100	96	99

### Access to health

For 2005, Novo Nordisk offered its best possible pricing scheme, as part of the global access to health initiatives, to all 50 Least Developed Countries (LDCs) as defined by the United Nations. During 2005 Novo Nordisk sold insulin in a total of 32 of the LDCs at or below a price of 20% of the average prices for insulin in the western world, compared to 33 in 2004. In 15 countries Novo Nordisk is not selling insulin at all, for various reasons. In several cases, the government has not responded to the offer, there are no private wholesalers or other partners with whom to work, or wars or political unrest make it sometimes impossible to do business. While Novo Nordisk prefers to sell insulin at the preferential price

through government tenders, it is willing to sell to private distributors and agents. The target is to offer the best possible pricing scheme to the governments of all LDCs.

Unfortunately, there is no way to guarantee that the price at which Novo Nordisk sells the insulin will be reflected in the final price on the pharmacist's shelf. Wholesalers and pharmacies may mark up the drug before selling it to the consumer.

		2005	2004	2003
LDCs where Novo Nordisk operates	Number	35	35	30
LDCs where Novo Nordisk sells insulin at or below the policy price *)	Number	32	33	16

\*) The wording of the indicator has been adjusted for the sake of transparency. The reporting scope is the same.

### Our employees

By the end of 2005 Novo Nordisk employed 22,460 persons – an increase of 8% compared to 2004. This number equals a full-time equivalent of 22,007. It reflects increased activities in all areas of the company. The ratio between men and women has changed slightly; at the end of 2005, 51.2% of the employees were men, as compared with 50.9% at the end of 2004. The rate of absence is on a par with 2004 performance: 3.2, which is the same as in 2004. Employee turnover increased to 8.0 from 7.3, which means that the target of a

reduction in employee turnover was not met. In the annual climate survey, eVoice, the average of respondents' answers as to whether 'their work gives them an opportunity to use and develop their competences and skills' remained at a high level of 3.8 (on a scale from 1–5, with 5 being the highest score) and the average of respondents' answers as to whether 'people from diverse backgrounds have equal opportunities' increased from 3.8 to 3.9; both above the target of  $\geq 3.5$ .

		2005	2004	2003
Employees (total)	Number	22,460	20,725	19,241
– Female	%	48.8	49.1	49.4
– Male	%	51.2	50.9	50.6
Rate of absence	%	3.2	3.2	3.1
Rate of employee turnover	%	8.0	7.3	7.1
Average of respondents' answers as to whether their work gives them an opportunity to use and develop their competences and skills		3.8	3.8	3.7
Average of respondents' answers as to whether people from diverse backgrounds have equal opportunities		3.9	3.8	3.7

## Health & safety

Performance on the health & safety indicator 'frequency of occupational injuries' was not satisfactory as the frequency increased from 5.6 to 7.3 in 2005, not meeting the target of a continuous decrease. There were no fatalities in 2005. There is a continued focus on ensuring health and safety standards for

employees in Novo Nordisk. In 2006 a health & safety management system certified according to OHSAS 18001 will be adopted for Novo Nordisk in Denmark and Product Supply globally.

		2005	2004	2003
Frequency of occupational injuries	Per million working hours	<b>7.3</b>	5.6	5.4
Fatalities	Number	<b>0</b>	1	0

## Training costs

In 2005, the annual spending on training, measured as average spend per employee, increased by 10%. The average spent per employee does not fully

reflect investments in training in Novo Nordisk, since on-the-job-training, internal seminars and other activities are not included.

		2005	2004	2003
Annual training costs per employee	DKK	<b>9,899</b>	8,992	7,518

## Patent families

The performance of Novo Nordisk patent families has developed as expected in 2005. The number of active patent families to date has increased by 4%. The

number of new patent families (first filing) has decreased from 145 in 2004 to 130.

		2005	2004	2003
Active patent families to date	Number	<b>812</b>	778	701
New patent families (first filing)	Number	<b>130</b>	145	140

## Animals

Novo Nordisk sets goals to reduce, refine and replace experiments on animals and to improve animal welfare. Hence, due to a significantly higher level of research activity in early phases, when animal experimentation is required, the number of animals purchased in 2005 increased by 22% to 57,905 animals, of which 97% are mice, transgenic mice and rats. Total removal of all biological test types for product control has been a target for Novo Nordisk in 2005. However, having achieved regulatory approval in most countries over the last decade, in 2005 Novo Nordisk unsuccessfully applied the remaining countries'

authorities for their acceptance of omission of one of the two remaining test types. Although the target to completely remove the last two biological test types could not be met, the dialogue with national authorities regarding these tests has resulted in a considerable reduction of the test frequency and thereby a considerable reduction in the number of animals used. Novo Nordisk is now looking at identifying a new test type which does not use animals for one of the remaining biological test types, and a strategy for removal of the second biological test type is under preparation.

		2005	2004	2003
Animals purchased	Number	<b>57,905</b>	47,311	42,869
Animal test types removed from external and internal specification	%	<b>82</b>	82	73