

**CORPORATE GOVERNANCE: LISE KINGO**

## Sustainability Drives Pharma's Future

The idea of sustainability—how companies balance economic, environmental, and social issues—is not new. After all, investors have always been interested in how pharma companies balance long-term issues with short-term performance. But the concept is gaining momentum as people start to equate the pharmaceutical industry's future—globalization and the growth of emerging markets—with the availability of consumers and employees in parts of the world most threatened by public-health crises.

Recognizing that many investors want to include those factors when assessing companies' financial fitness, Dow Jones & Company creates an index that ranks companies according to how well they create long-term shareholder value by balancing economic, environmental, and social issues. In 2003, the Dow Jones Sustainability World Indexes outperformed the general Dow Jones World Index—suggesting that the practice really does pay off.

Topping the Dow Jones list of most-sustainable companies is Novo Nordisk, a



**Novo Nordisk's Triple Bottom Line provides a stable basis for both long-term growth and profitability.**

Denmark-based pharmaceutical company specializing in diabetes care. Lise Kingo, executive vice-president of stakeholder relations and a member of the company's executive management committee, explains that Novo Nordisk's success stems from its formalized sustainability program called the Triple Bottom Line.

**Scandinavian companies tend to have a longer history of social responsibility programs than their counterparts in other countries. How long has**

**Novo Nordisk's sustainability initiative been around?**

**Kingo:** Novo Nordisk began implementing the Triple Bottom Line concept 15 years ago as a response to concerns over environmental issues among the public and nongovernmental organizations, like Greenpeace and Friends of the Earth. During the 1990s, it expanded to embrace ethical issues like animal testing. By the mid '90s, it included social issues and human rights, with a particular focus on improving diabetes care in the developing world, where it is growing at an alarming rate. In 2001, Novo Nordisk established the World Diabetes Foundation with a commitment to donate DDK 500 million over the following decade to improve diabetes care in the poorest countries by funding educational efforts and providing essential medicines.

**How do you make the program come alive for employees?**

It's important that a concept like the Triple Bottom Line is translated into some concrete actions, such as our performance objectives. Because, otherwise, we are

not, so to speak, walking the talk. We also have a corporate campaign called Take Action, which invites every employee to help the company embody the initiative. Employees can, for example, volunteer for three weeks at one of the diabetes clinics in Tanzania, Africa, that Novo Nordisk has established.

**Does that create more dedicated employees?**

I think it does. I was in Tanzania a few weeks ago to inaugurate the first three of 20 diabetes clinics that Novo Nordisk has sponsored there. It was an eye opener—because the conditions there are awful compared to the United States and Europe—and it was a life-changing experience for me. I think it's exactly the same way our employees feel when they return after working in an underdeveloped country.

It adds enormously to the spirit of a wealthy pharma company when employees have an understanding that not everybody has the same good conditions that we do and that it's part of our social responsibility to do something for people with

**Supporting Social Awareness** Lise Kingo joined Novo Nordisk's enzymes promotion in 1988 and worked over the years to build up the company's Triple Bottom Line approach. In 1999, she was appointed corporate vice-president, and in 2002, executive vice-president of stakeholder relations. Kingo is a member of the Board of Business for Social Responsibility (USA), a core faculty member of the HRH Prince of Wales Business and the Environment Program at Cambridge University, and a liaison delegate in the World Business Council for Sustainable Development. She received the Edinburgh Medal in 2002 for pioneering a socially and environmentally responsible approach to business. In 1998, Kingo received *Tomorrow Magazine's* Environmental Leadership Award.

## Sustainability

diabetes who cannot afford treatment.

### Does the initiative produce other short-term benefits?

In addition to retaining employees, the initiative helps enormously in attracting them. Many young people want to work for us because they feel we are a company that they can identify with and feel proud about working for. In our annual surveys, employees always rank the Triple Bottom Line concept as a

and profitability. If you compare the companies in the traditional Dow Jones index with the companies in the Dow Jones Sustainability World Indexes, one can see that sustainable companies are quite competitive in the short-term. In terms of long-term financial output, those companies are better equipped because sustainability is basically about good corporate governance. It is also about how a company manages issues from different stakeholders and if

microphone and talk about how they feel about our performance. For the last three or four years, they have all mentioned our Triple Bottom Line practice as something that makes them particularly happy about investing in Novo Nordisk, because it secures their long-term investment in the company.

### What helps you carry out this initiative on a daily basis?

We engage all our key stakeholders to better understand their views and to stay tuned

## Sustainability is basically about good corporate governance. It is also about how a company manages issues from different stakeholders on a proactive basis.

top factor that makes them proud to work for Novo Nordisk.

### Why do you think the company's social responsibility programs are so well respected among investors?

Because it provides a stable basis for long-term growth

they are able to deal with them on a proactive basis.

Novo Nordisk is growing about 15 percent every year, which is competitive compared with the rest of the industry. As is customary, at our annual shareholder meeting, large institutional investors step up to the

to emerging trends that may affect our business. For example, we have an internal system we call the Trendspotter, which developed out of a long tradition of having systematic active stakeholder dialog. It includes monitoring news articles from around the world and maintaining a network of about 50 key opinion leaders with whom we communicate regularly to gain their understanding of what is happening globally. Then every second week, we publish a newsletter called Novo Nordisk Trendspotter to alert employees to the importance of what societal trends and issues are out there.

Over the years, the dialogs we have had with stakeholders have helped us fine-tune and develop the Triple Bottom Line concept to what it is today. We could not have done that sitting alone, talking to each other inside Novo Nordisk. ●

## FORECAST: GROWTH



Investors and analysts don't only give their thumbs up on Novo Nordisk's

corporate governance strategy. They also note that the company's performance and pipeline is poised for continued success—despite its relatively weak position in the oral antidiabetic market.

"Novo Nordisk has about 20–25 percent of the market share in insulins, but only 6 percent of the oral antidiabetic market," says Carole Gleeson, an analyst specializing in immune, inflammatory, and metabolic disorders for Decision Resources.

"However, we expect these shares to nearly double to 10–15 percent of the total diabetes market in 2012 with the anticipated launches of insulin detemir (insulin analog), liraglutide (a GLP-1 analog), and an inhaled insulin (AERx)."

NOP's Market Measures/Cozint's "Management of Insulin Dependent Diabetes Study," conducted in March 2003, also concludes that much opportunity remains—especially in the United States for newer Novo Nordisk products. Of the 231 physicians NOP surveyed, 46 percent said they have never heard of or tried Novolog (insulin aspart injection).

Decision Resources reports that the burgeoning patient population and introduction of new therapies will drive the growth of the type 1 and type 2 diabetes markets. —Joanna Breitstein

## Dow Jones Ranks Top 10% of Sustainable Companies

Rank	Company
1	Novozymes Novo Nordisk
2	AstraZeneca PLC Aventis Coloplast GlaxoSmithKline Novartis SSL International
3	Smith & Nephew plc

The Dow Jones Sustainability World Indexes rank companies according to how well they create long-term shareholder value by balancing economic, environmental, and social issues. This chart depicts the top 10 percent of sustainable companies. Companies within each tier received the same rankings and are listed in alphabetical order. In 2003, Novo Nordisk and its sister company, Novozymes, topped the list.