To: Pantelis Pavlou, FEE
From: Cora Olsen, Global Lead TBL Reporting, Novo Nordisk

Feedback on the report 'The Future of Corporate Reporting'

Dear Pantelis,

I have read the report 'The Future of Corporate Reporting' with great interest and hereby provide you with feedback and comments. The opportunity to engage is greatly appreciated and please do not hesitate to reach out to me if you have any questions or wish to further engage.

Before answering the requested questions, I would like to start off with a few key reflections and comments:

- The purpose of reporting has to be about disclosing how the company is managed and how it is performing in the context where it operates - it is about demonstrating how well-managed the company is and how prepared you are for the future. This includes reporting on business model, strategy, business context, multiple dimensions of performance, topics and issues including ambitious targets.
- Reporting has traditionally been backwards looking encouraged by standards. The future of reporting has to include a significant focus on forward looking information and targets, which is valuable information in terms of determining how well-prepared the company is for the future. This has not been adressed in the FEE report.
- Why is there nothing on the future of assurance?
- The 'CORE and MORE' approach is already a reality (financial reporting vs. sustainability reporting) and it is not working – what can be discussed is content. Integrated reporting is the future and more and more companies and stock exchanges are realising this. The notion of reporting meeting all stakeholder expectations is not conducieve – different stakeholders prefer different formats and what is material for some stakeholders might not be material for the business. A report/several reports is not the right solution as it is time consuming and there is a risk of producing lenghty reports no one reads wasting valuable time and money. Stakeholders should be asked how they prefer to receive information – a report once a year might not be appropriate. Rethinking is needed in terms of communicating smarter.
- The framework needed to take reporting to the next level is already here in the <IR> Framework, so let us not spend a lot of time discussing new standards etc.
- Auditors need to develop skills to better engage and challenge management on material issues covering multiple dimensions of performance impacting short-, mid- and long-term. Auditors of the future will be tasked with a different responsibility than that of 'just' ensuring compliance with legal requirements of financial reporting – they must be able to understand the company context and provide sparring/challenge material issues and performance on those issues.
- ESG data has a bad reputation when it comes to data quality. This is not adressed in this report. As this information is of great importance to us as a company in terms of making business decisions, the data in Novo Nordisk's annual report is 'born' with internal controls to ensure a high level of data quality.
- Intangible assets and value is not mentioned in the report, which it should be. Intagible value is assessed to be up to 80% of a company's market value (ref. Ocean Tomo survey found here: http://www.oceantomo.com/blog/2015/03-05-ocean-tomo-2015-intangible-asset-market-value/)
- Language is important and using the label 'non-financial' is not conducieve for any conversation on this topic. ESG will become financial if a long-term view is applied.
- Why is there no reference or link to the UN Sustainable Development Goals?

Questions

Q1.1. Which are the steps in the reporting process that assist in ensuring that the stakeholder's information needs are properly addressed?

1) *Defining the target audience of the report is an important first step – without it, it becomes a challenge to define scope and material issues. Communication to stakeholders must not be limited to reporting, which is an important point – reporting does not and should not cater to all needs.*
2) *It is important to have rigorous governance structures in place with members of senior management representing the different lines of business to ensure the report contains material information from the company, so this is an important part.*
3) *Ensuring that what is communicated in the report links back to strategic priorities and business targets is important.*

Q1.2. Do you identify any impediments to reach a broader audience for corporate reporting?
Repeating the point above: it is key that target audience is identified as a report cannot fix the needs of everybody, which results in huge, unfocused reports of no value to anyone. Target audience must be carefully considered. The corporate reporting must communicate how the company is managed in an integrated manner, the business model, strategic priorities, risks and opportunities and future orientation and this is where the International Integrated Reporting Framework can support companies in terms of advancing corporate reporting, which must be broader than just financial reporting.

Q1.3. When and how should stakeholders get involved in the reporting process?
Stakeholders should be involved at the strategic level and not necessarily at the reporting level. If stakeholders have not been involved at an early stage when strategies and targets are developed, then there is a huge risk of developing these in the wrong direction or at least not hitting the mark in terms of material issues when it is time for reporting. Engaging at a strategic level is more important than the reporting level because this ensures you at an early stage get a sense of what is material and what over time should be included in the report or communicated via a different platform depending on the receiver.

Q1.4. Do you agree that two-way communication between companies and their stakeholders is needed to focus reporting on stakeholder needs?
Referring back to the comments above, the engagement is critical at the strategic level as the stakeholder input is vital when it comes to informing the strategy, performance measurements, targets etc. – it is too late to engage at the reporting stage. The main audience of our integrated annual is the providers of financial capital. We engage with providers of financial capital on a regular basis and monitor what information is being requested via investor and analyst questionnaires. Some general feedback we got was, that the investors expect the company to know what information is material for the investors to know which is a valid point – management knows the company best. Senior management knows this information hence linking back to the point made in connection with the first question around building solid governance structures.

Q1.5. How could technology drive and enable changes in the audience of corporate reporting?
Technology allows for sharing and disclosing of information conveniently and in 'real-time'. An expectation to the future is that there will be an increasing demand for information much more frequently than on an annual/quarterly basis and that this information is forward looking as well. This will force a movement away from the traditional approach to reporting, which should be viewed as an expanded way of communicating

Q2.1. Do you agree that financial statements have lost, or are losing, some of its relevance?
Disagree with financial statements having lost relevance, but what has become of great importance is understanding how financial performance is connected to other types of performance and the context within which the company operates here and now and in the future. What is important is to ensure disclosure of material information and that this is done in an integrated manner to ensure reporting a more complete picture of the company i.e. provide the context to better understand financial performance but also performance on other dimensions – the information must be connected to understand business model, value creation, risks etc. Furthermore, increasing legal requirements increase length and complexity of reporting - having more sector specific requirements instead of broad 'one-size-fits-all-requirements' could increase relevance.

Q2.2. If so, which are the key issues resulting in the declining relevance of financial statements?
Financial information and corporate reporting in general is often too focused on historical information. Increasing disclosure of forward looking information taking into account ESG dimensions and improving connectivity will increase relevance of corporate reporting. Again, the point is here not to look at information in isolation – it has to be integrated otherwise the context for decision making is lost.

Q2.3. What are the key steps that should be taken by standard setters and policy makers to foster innovation and enable financial reporting to regain and enhance its relevance?
At the risk of repeating, there has to be a shift away from the narrow focus on financial reporting. The financial reporting has to be part of an integrated report focusing on long-term value creation and has to take into account forward looking information on multiple dimensions of performance.

Q2.4. How could technology assist in innovation for financial reporting?
Again, the focus should be on innovation of corporate reporting, not only financial reporting. Technology can play an important part in terms of increasing connectivity via interlinking information, infographics with the report but also linking to other communication. Technology can ease the reporting and looking up of information. Making tablet friendly versions will also support increased user friendliness.

Q2.5. Which are the key challenges in developing an international set of standards and/or guidance for NFI that can be applied across the board?
There are several challenges. A big one is related to language – the non-financial labelling of specific topics and issues is non-conducive and is a barrier for business uptake. Why label it something it is not, which has a very negative connotation like 'non-compliance'? Language has got to change – it is about short-, medium- and long-term value creation and destruction. Another big challenge is the notion of a 'one-size-fits-all-approach' in the form of a standard, which is impossible because sectors are so varied - even within sectors it can pose a challenge. The GRI has tried and in my personal opinion failed. What has to be developed is strong guidance on how to determine material issues/topics across the board – not just ESG. What is important is that guidance is provided supporting companies in the strategic understanding, management and communication in an integrated manner and here we already have the <IR> Framework, which has all the necessary elements. A third challenge is the standards used by the auditors, which primarily focus on financial aspects. The auditors must be able to engage and challenge companies on material issues on all dimensions of performance. The auditor professions must develop as well and I am confounded by the fact that there is no mention of the future of auditing in the document especially considering the creator of this report.

Q2.6. Which organisation - if any - should take the lead in developing an internationally accepted principles-based framework for NFI?
I strongly disagree with the development of a separate framework for topics and issues that do not come with a direct monetary value – this will just continue reinforcing the siloed thinking and not move the needle at all in terms of business integration. The framework we need is already here in the form of the <IR> Framework, which has all the principles needed – let us not waste time and effort trying to create yet another framework or standard. At the risk of repeating once again, it has to be about business integration and integrated thinking – not about separation. This is extremely important.

Q2.7. What is the appropriate level of authority that those principles should have?
It should be mandatory for corporate reporting (integrated reporting) in order to ensure inclusion of material issues and topics, how they are strategically managed and how they create value. At the end of the day, it is about demonstrating how well-managed a company is which includes also disclosing negative stories.

Q2.8. What is the best approach to experimentation in the area of NFI? What challenges would constituents be expected to face?
Best approach: ESG is integrated! Again, repeating - it must not be seen as something separate in terms of reporting and in terms of managing a business. The best approach would be to engage closely with management in corporations and provide support in terms of determining material issues – here the board plays an important role but also the external auditor in the role of 'watch dog' and 'guardian of transparency' to ensure material information is disclosed to the public.

Q3.1. Do you agree that the proposed CORE & MORE model could be a way forward for corporate reporting in the future? If not, why not?
The CORE and MORE approach is already in use. I strongly would like to challenge the following:

> Currently, corporate reporting fails to address all stakeholders' needs in a comprehensive way; there is a series of disconnected reports where each part tries to address different needs. Because the referencing and interconnectedness of these different reports are limited, accessing relevant information is a difficult task for users and other stakeholders.

I would like to challenge the notion of reporting is a 'fix' to all stakeholder needs – not all stakeholders are interested in getting relevant information in the form of a report, but prefer different means of communication, so I would strongly suggest to take this into account. Furthermore, not all stakeholder interests are necessarily a material issue for the company, which also must be taken into account. If reports are to be complete in that manner we get those 300+ page reports, which no one reads and is a huge burden on the organisation.

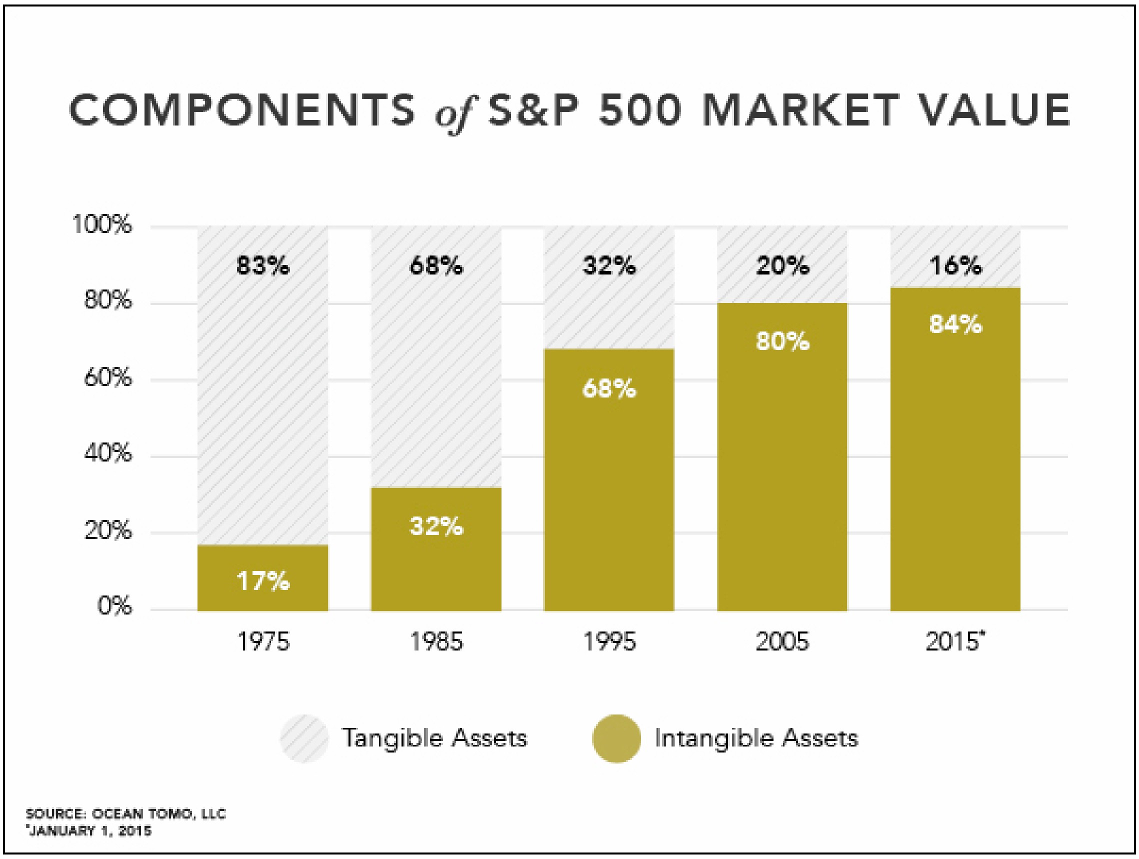
Rethinking communication and information to cater to different needs is important to take into account. Being crisp and clear around target groups for the different types of communication is also important and will help guide content.

I struggle with what is proposed as 'CORE' and 'MORE'-reporting. I can agree with the content of 'CORE' but if the issues/topics mentioned below are material for the company, then they must be part of the CORE.

Examples of additional information beyond the CORE report could include details on:

- Diversity practices and policies
- Human rights
- Intellectual property
- Corporate governance
- Risk management reporting and internal controls
- Country-by-country reporting
- Detailed financial statements disclosures

Furthermore, as I read it, intangible assets are to be part of the 'MORE'-reporting, which is not meaningful – especially when looking at the research done by Ocean Tomo presented below:



Disclosure of intangible value and assets is not mentioned in the report and this is where the future lies in terms of company value and reporting.

Q3.2. In which ways could the CORE & MORE help addressing the needs of a wider stakeholders' group?
Please refer to response to Q3.1

Q3.3. What is the role of technology in developing a CORE & MORE model?
N/A as I would encourage FEE to rethink this concept – this is where many companies already are at in terms of corporate reporting - it is not working and hence this is not the future.

Q3.4. Do you have any thoughts on whether, when and how corporate reporting should be updated?
The time is now. Traditional views of reporting hampers a greater movement in terms of changing reporting on a global scale. The IIRC has come a long way and play an important part of the future. Several stock exchanges are also adopting the <IR> Framework as a requirement and the number of companies using the Framework increases year-on-year.

Q3.5. How should policy makers and standard setters address the trade-off between standardisation versus innovation?
Use the <IR> Framework for standardisation in terms of principles and content elements. The innovation has to come from the companies in terms of how they communicate about material issues, value creation, integrated thinking, intangible assets, business model etc – this will be fully possible within the <IR> Framework. I have only one example of a standard with meaningful KPIs, which are of relevance across the board, and that is the Future Fit Benchmark, which has actual KPIs on how a sustainable business should perform – this could drive innovation as well. The GRI is about doing 'less bad' and reporting on loads of KPIs, which is not recommendable.

Q3.6. What are the main challenges and the key benefits of a parallel experimentation in the area of corporate reporting?
Companies must be allowed to experiment with reporting and not be in fear of legal implications in terms of law suits. The fear of sticking your neck out as company is prevalent and there has to be a 'safe harbour' of sorts.

Q4.1. Which obstacles, if any, should policymakers remove to allow for innovation in corporate reporting?
They need to support integrated reporting and not siloed reporting of financial vs. other. Again, the <IR> Framework can guide the innovation if supported by policy makers – I believe that integrated thinking, management and reporting is a key pathway to improve the state of the world and communicating how corporates play a part in that long-term. Business' can only be as healthy as the communities within which they operate.

Q4.2. Do liability concerns, arising from non-compliance with reporting requirements, form a barrier to innovation?
It has not formed a barrier for Novo Nordisk – it has pushed innovation because we have been forced to work within certain limitations, but the limitations have to be meaningful and not just about 'ticking boxes'. If it is about ticking boxes, then it will be a barrier if immaterial information is forced to be included for the sake of ticking that box.

Q4.3. Is the current structure of dialogue between policy makers and corporate reporting constituents effective? If not, how should this be improved?
There should be closer ties in terms of understanding the challenges from a policy makers perspective and the corporate perspective – if there is a better shared understanding, it is easier to craft meaningful and ambitious legislation driving positive change for more transparency and integration.

Q4.4. What other mechanisms are needed to ensure requirements can adapt over time to achieve better coordination and consistency between different pieces of legislation?
N/A

Q4.5. Do you have any examples of policies that enable innovation from your country? Should these examples be replicated at a European or an international level?
N/A

Q4.6. Do you agree with the proposal for a group to assist in identifying the main challenges and the key benefits from new innovative proposals for the corporate reporting of the future?
It depends on who the group consists of. It has to be a very diversified group.

Q4.7. Are there any other suggestions you have for policymakers as to how they can foster innovation in corporate reporting?
The <IR> Framework offers that possibility and is already there for policy makers to use. Policymakers have to hammer in the importance of this management approach and report accordingly - also in the light of the Sustainable Development Goals, which will impact companies as well and if well-thought out, could play an important part of the reporting innovation if a company can link and demonstrate performance supporting the 'bigger picture' of a sustainable world.