

Sustainability report 2018

CEO STATEMENT

In 2018, the Board of Directors performed a strategic review of the NNE Group. Consequently, it was decided to divest the operations in China, Switzerland, France, Belgium and Germany (discontinuing operations), and focus future efforts on operations in Denmark, the US and India.

NNE will continue to execute on the strategy launched in 2015 delivering focused pharma engineering to our strategic customers, however with an intensified geographical focus on Denmark, the US and India. The intention with the intensified geographical focus

is to reduce organizational complexity and – to an increasing extent – ensure profitability and competitiveness in these core markets.

We still build our company on the belief that to be a sustainable business we must balance three bottom lines – financial, social and environmental, i.e. the triple bottom line (TBL) business principle.

Simultaneously, the TBL affects how we manage our business with an ambition to be sustainable and account for performance in all three dimensions.

These dimensions are in line with our continued commitment to the 10 principles on UN Global Compact regarding human rights, labour standards, environment and anti-corruption, and our support to the fulfilment of the Sustainable Development Goals (SDGs).



Jesper Kløve
Chief Executive Officer and President
June 2019

NNE at a glance

NNE is an international company specialized in pharma engineering. We help pharmaceutical companies bring products to market by providing flexible, compliant and future-proof solutions. In 2019 we have close to 1,000 professionals delivering global knowledge and best practices, all dedicated to supporting our customers globally and on local sites. Through focused pharma engineering we enable our customers to deliver on demand.

At NNE, we focus solely on the GMP-regulated pharma industry. Our mission is to help pharmaceutical companies bring products to market by delivering agile and flexible operations, seamless GMP compliance and future-proof solutions, while ensuring reliable project execution.

Our expertise is tailored specifically towards the highly GMP-regulated industry. The pharma engineering cube

describes our customers' needs, our expertise areas and how we deliver expert pharma engineering throughout the entire manufacturing and project lifecycle. We call this focused pharma engineering. In a year of strategic transformation, the continuing business realized a satisfactory result with a turnover of DKK 1,437 million, an operating profit of DKK 75 million and an operating profit margin of 5%.

NNE is currently in the process of defining the strategy for the coming three years towards 2021. The key driver behind the strategic focus for the next period is an increasing need for our key customers to be operational excellent in their investment projects and operations within pharmaceutical production.

2.1 OUR VALUES

Our values are the cultural foundation for NNE. They reflect who we are, how

we do things, and provide a means to reach our goals.

Our passion for pharma engineering began in the 1930s when we started as a group of in-house engineers for Novo Nordisk. Today, we are an independent organization working for leading pharma companies. Everything we do is based on our in-depth understanding of GMP.

Trust and respect for each other are at our core, and we believe that we perform at our best when we embrace our diversity and play on our different strengths.

NNE takes responsibility for the impact our business has on people, communities and the environment and we strive to make a positive contribution to society and human well-being.

For more information on NNE please refer to: www.nne.com/

People development

At NNE, our greatest assets are our people and their minds. Therefore, we continue to strengthen our core competencies and develop our people. To strengthen our core competencies and build best-in-class pharma engineers, our global competency development programme PEAK (Pharma Engineering - Advanced Know-how) has high priority. PEAK's focus areas are defined based on a thorough analysis of customer needs, market demands and industry trends. In 2018, we have continued our focus on core technology competencies, offering courses within e.g. biotechnology, GMP compliance, consultative engineering and automation and IT. The PEAK program provided over forty different course offerings in 2018.

We continuously strive to enhance our competencies at all levels of the organization, including those of our manag-

ers. In 2018, we continued the focus on developing our project managers' leadership skills through our internal program LEAD. LEAD strengthens project managers' ability to set direction, motivate their teams and drive performance to ensure that both the project and their team members are successful. In 2018, we conducted five LEAD sessions for seventy participants from around the globe. Four more sessions are expected for 2019.

3.1 GENDER DIVERSITY

In 2018, the Board consisted of six members, where two of them were females, one of them being employees-elected. The gender diversity at Board level according to Section §99B of the Danish financial statements act is achieved. NNE has obtained equal representation on its Board of Directors in accordance with the guidance from the Danish Business Authority.

Across all NNE management teams, we aim for a distribution equivalent to NNE's overall gender distribution, while taking local cultures and circumstances into account.

The gender split was 30% female and 70% male in 2018. Across all line management positions, 24% were held by women.

To balance the gender distribution within management teams with the organization's overall gender distribution, NNE strives to include female candidates in the recruitment process for management positions and as successors for management positions wherever possible. We also try to maintain the general gender distribution in our talent development programs. These initiatives are an integral part of the annual organizational audit process.



Managing sustainability

NNE has been a member of the UN Global Compact since 2008, and therefore committed to adhere to the 10 principles regarding human rights, labor standards, environment and anti-corruption, as well as supporting the fulfilment of the 17 sustainable development goals (SDGs) ⁽¹⁾.

Our TBL approach is aligned with the 10 principles and SDGs. In 2018, each NNE subsidiary established concrete goals within diversity, working environment, education, profit, environment and philanthropy to match the targets for NNE's global goals (see figure 2).

We integrate sustainability into our business on strategic, tactical and operational levels (see figure 1).

Through our global policies, systems and goals, we ensure that our company develops sustainably. The solutions we provide for our customers must support the realization of their social and environmental commitments, goals, challenges and basic compliance aspects, such as the SDGs, circular economy, employee safety and

well-being and responsible sourcing. Our policies, systems and the way we work with competences, sharing of best practices through communities of interests (COI) as well as people and process development are essentially to meet the challenges.

4.1 OPERATIONALIZING THE GOALS

The SDGs and the UN guiding principles on business and human rights set out goals and guidelines for how businesses can tackle global sustainability challenges. At NNE, we strive to balance these challenges by advising our customers with environmentally safe and sound solutions that improve productivity, fulfil GMP requirements, and respect human rights (see figure 2).

Our aim is to enable our customers to excel through our design, which means that the SDGs most relevant for NNE are to ensure decent work and economic growth (no. 8), and responsible consumption and production (no. 12), and indirectly promoting healthy life and well-being (no. 3) through state-of-the-art design of facilities (see figure 3).

Some progress highlights are increased cooperation with local educational institutions, e.g. engaging in a Ph.D. research project "Brightline" at the Danish Technical University about risk management and frequently visiting the universities' job fairs and giving lectures in pharma engineering. Furthermore, we invited 25 Danish high school students from Roskilde Handelsgymnasium to visit NNE in China. The students were on a ten-day excursion in China to learn how Danish companies interact in the Chinese culture.

In the environmental area, NNE in Denmark is planning on installing solar panels in 2019 on the roof of the office building to support a reduction in our electrical power sourcing. In India, we have been reaching the goal of establishing a fitness centre in their new renovated office building, to improve health.

¹<https://sustainabledevelopment.un.org/?menu=1300>

Many of NNE's employees in Denmark and abroad have voiced their expectations for the company to partner up with relevant NGOs to contribute to society. SOS Children's villages is now our global partner. It makes sense to support basic needs for children and especially education of children in areas where NNE is present. These children are tomorrow's colleague. Employees and NNE donated a total of DKK 196,800 in 2018. In 2018, we specifically supported the SOS Village in Chennai, India.

In 2018 NNE has started a cooperation with the organization E2B (Engineer To Be). E2B is a Danish organization focusing on creating awareness of what it means to be an engineer – especially among socially marginalized young people and people with another ethnic background than Danish. The cooperation has resulted in two events where 60 students from nearby elementary schools visited NNE's headquarters to learn about the life of an engineer.

As an example to illustrate how we operationalize the responsibility with

our customer, we conducted a customer project in 2018, where more than 120 sustainable techniques/technologies, were identified, primarily water and energy optimization. More than 70 were implemented in the design, resulting in substantial savings compared to a baseline of good engineering practice, 20% for water and 35% for CO₂, respectively. A multidisciplinary and iterative approach generating ideas and assessing feasibility were amongst the prerequisites for the result. Bringing competences from GMP, process/utility/building services and sustainability from the customer and NNE together, and having a strong mutual understanding of the material aspects and drivers, were important success factors as well.

4.2 OUR DIRECT ENVIRONMENTAL FOOTPRINT AND WORKING ENVIRONMENT

Our indirect carbon and water footprint associated with our advice to customers remain our most important environmental impact. The same applies to working environment.

In 2018, NNE calculated its direct environmental footprint from power consumption at our offices and transportation in company cars. In 2018 our carbon footprint from transportation increased by 18% compared to 2017, and the carbon footprint from power consumption reached 1,028 tons CO₂ which, in comparison, is the same as about 90 average European households. The increased emission from company cars is mainly due to an increase in projects located near our local office in Belgium.

In 2018, NNE registered 2 lost time incidents (LTI) and 9 no LTIs, which is a significant improvement compared to 2017, where we had 7 LTI and 9 no LTI, respectively. NNE's executive management reviews all lost time incidents, and line of business continuously monitors and evaluates incidents to learn and mitigate recurrence.

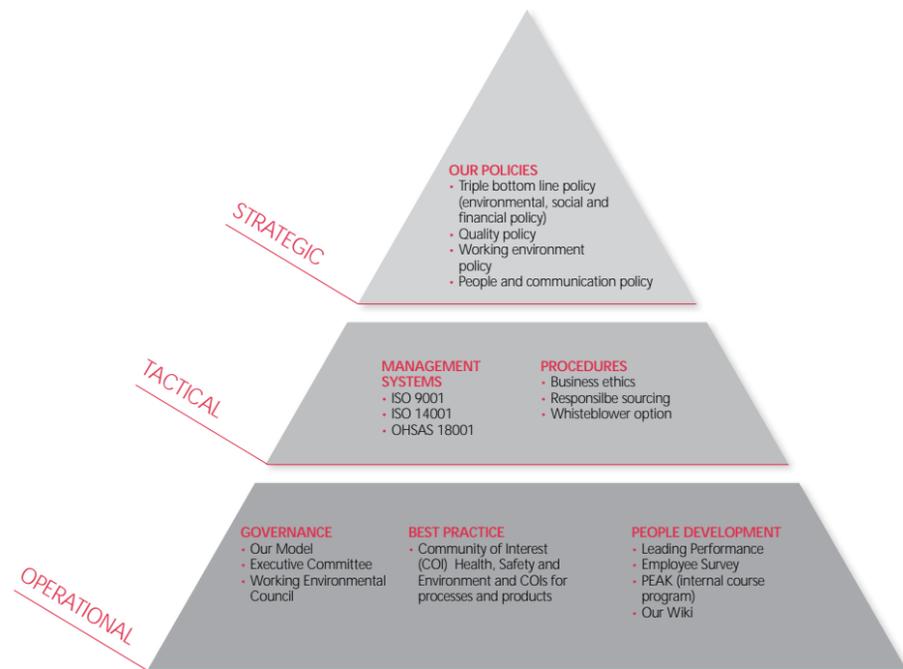
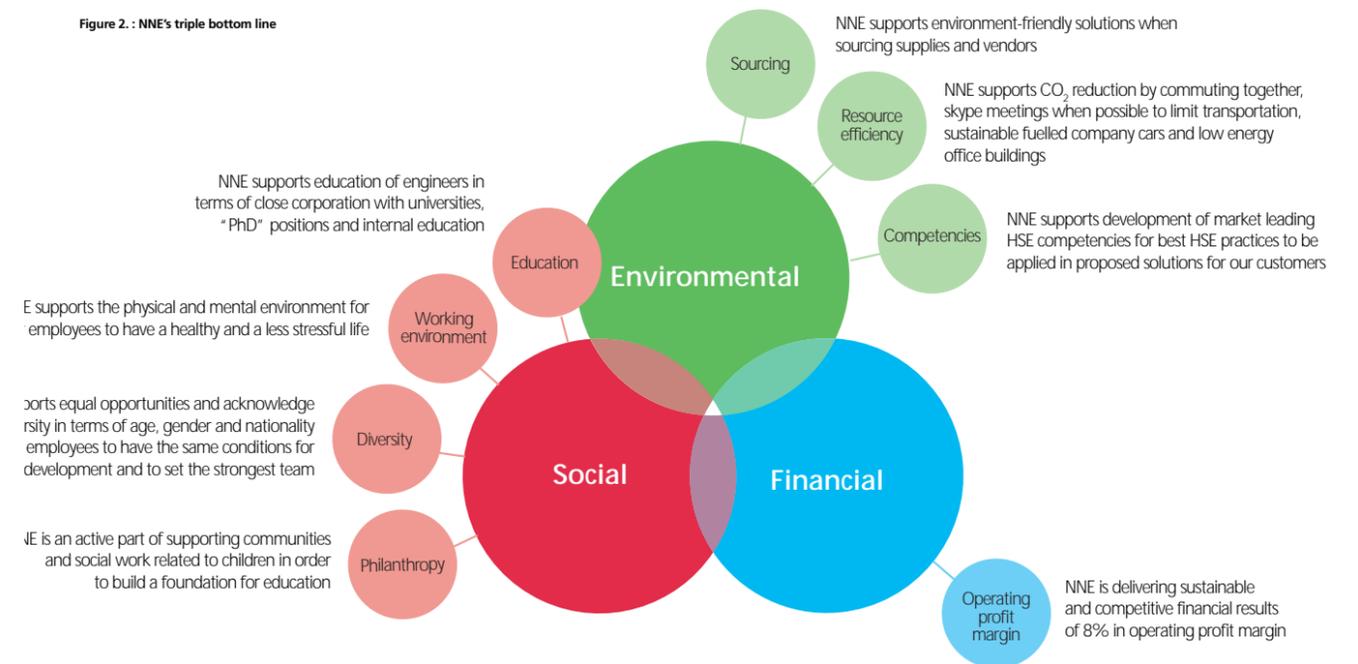


Figure 1. Integration of sustainability in our business



Figure 3

Figure 2 : NNE's triple bottom line



Corporate governance and risk management

NNE is managed according to four principles called 'Our Values'. Additional guidance and commitments include our business ethics, quality management system and triple bottom line commitment to continuously improve our financial, environmental and social performance.

NNE complies with the same principles of corporate governance as our parent company, Novo Nordisk A/S. Because NNE A/S is 100 percent owned by Novo Nordisk A/S, we are included in the consolidated financial statements of Novo Nordisk A/S. Our ultimate parent company is the Novo Nordisk Foundation.

NNE's Board of Directors is elected every year at the annual general meeting. The six members consist of two

representatives from the parent company, two external members and two employees elected by NNE employees for a term of four years.

We assess short-term risks monthly, particularly project and business risks. Long-term, we protect the reputation of our company to maintain and grow our business. To reduce the risk of NNE employees violating business ethics, laws and regulations, we have established a compliance program to ensure proper training, guidance and reporting facilities for our employees and business partners. NNE employees are obliged and committed to comply with the business ethics principles in their day-to-day business, and we also expect sub-consultants, suppliers, sub-suppliers and other business partners and representatives to comply with these principles.

NNE's global compliance program includes an e-learning program and certification known as 'Doing business the right way'. This program is mandatory for all employees and internal consultants to complete once a year.

Other activities to support compliance include audits and general awareness training.

For major projects, a governance structure and risk assessment are established during the proposal process and maintained throughout project delivery. Project steering committees and management representatives ensure continuous focus on project performance and risk mitigation.



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