Novo Nordisk's board revamp tests UK governance standards

While the reputation of London's capital markets regime remains under scrutiny, the extraordinary events at the Danish drugmaker Novo Nordisk ("Novo Nordisk revamps board after dispute with investor", Report, October 22; and "New 'king' of obesity leader Novo Nordisk takes full control", Report, October 25) is another reminder of the City's world-leading corporate governance standards and shareholder protections.

Some investors may welcome the Novo Nordisk Foundation's sweeping moves to accelerate a strategy shift. Yet the speed and scale of these board changes by the majority shareholder indicate a degree of direct involvement which would not wash in UK markets.

Board independence is sacrosanct, with independent non-executive directors expected to outnumber the executive leadership. Even though the listing rules were relaxed in July 2024 with regards to the need for formal relationship agreements with controlling (30 per cent-plus) shareholders, UK-listed boards must still demonstrate independence in substance as well as form.

There are clear advantages to being able to move decisively when performance lags. But the Novo Nordisk Foundation has now in effect got control of both the board and the shareholder votes. Who will hold it to account?

Consultation with major shareholders is one thing, dictation by them is something different altogether.

Time will tell if this action brings the commercial turnaround Novo Nordisk is seeking.

Even if it does, it should not be used as a case study to undermine the principle of board independence at the heart of effective corporate governance. London's markets should be proud of the high bar set.

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