

## Implementing the Task Force on Climate Related Financial Disclosures (TCFD) recommendations at Novozymes

Climate change is a highly material issue for Novozymes and we work with our stakeholders to enable the transition to a low carbon economy. We are committed to helping the world achieve the goals of the Paris Agreement by providing low-carbon, biological solutions, while also reducing our own GHG emissions.

Novozymes recognizes the crucial role the private sector plays in this transition.

Through the implementation of our updated strategy, Better business with biology, we aim to increase the positive impact of our biological solutions, while also managing the environmental footprint of our operations. We have set long-term sustainability 2030 commitments and 2022 mid-term targets to measure our progress going forward – with climate defined as a core focus area.

### Our approach to transparent climate disclosures

Novozymes’ believes that accountability and transparent disclosure is significant to track progress and achieve meaningful impact. Our integrated annual report is based on the concept of materiality, to ensure that our disclosures are material and relevant to Novozymes and our stakeholders.

We recognize that we can better manage climate-related issues and improve our climate-related disclosures – and how this can significantly impact decision-making in support of further resilient strategy setting and sustainable business continuity.

We strongly support the TCFD recommendations and are preparing to further report on them. We have been providing detailed disclosure on our management of climate related opportunities and risks through CDP and will work towards integrating it into our mainstream reporting in the coming years.

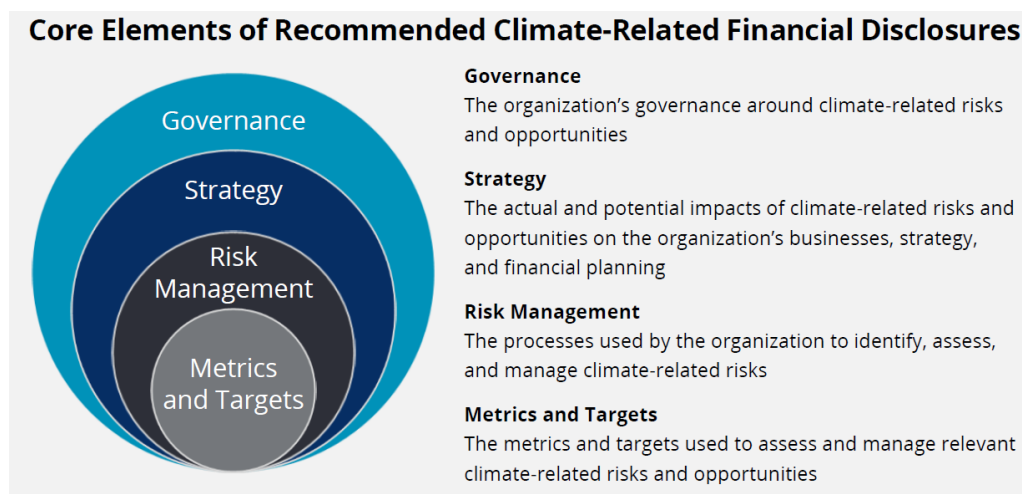


Figure from “Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures” (June 2017)

*Below is a summary of how Novozymes is currently addressing the TCFD recommendations. Further information is available in our CDP Climate Change response at [www.cdp.net](http://www.cdp.net)*

### Governance

Sustainability forms an integral part of Novozymes’ purpose and strategic direction and is governed by the Board of Directors and the Executive Leadership Team (ExLT). The Board is responsible for overseeing financial and environmental (including climate), social and governance (ESG) performance as part of the Executive Leadership Team’s day-to-day running of the company.

The Board has overall responsibility for overseeing risk and for maintaining a robust risk management and internal control system.

In 2020, Novozymes established a Corporate Sustainability Committee in the new organizational set-up reporting directly to the ExLT. This committee is responsible for the integration of sustainability into Novozymes' business strategies and innovation pipeline to deliver solutions that meet the needs of society and drive sales growth. It is also responsible for setting Novozymes' strategic direction, ambitious sustainability targets, and securing a strong internal foundation of responsible business practices.

Novozymes' Global Sustainability and Public Affairs teams work to ensure that our company is able to influence and leverage global sustainability and political trends to support our commercial objectives. Our regional sustainability managers at various sites drive local sustainability agendas where we operate.

## Strategy

Climate change action is an integral part of our business strategy, as the transition towards a low-carbon economy offers many opportunities to support the growth of Novozymes' biological solutions. At the same time, issues associated with climate change (regulatory action, physical or reputational damage, etc.) pose multiple risks to Novozymes' supply chain and operations.

Some of the climate-related risks we currently identify are, for example:

- Aa transition risk such as new fuel and/or energy taxes potentially reducing demand for some of our solutions
- Increased cost of agriculture raw materials we procure due to shifting weather patterns impacting agriculture yields.

Opportunities include, for example:

- Increased demand for low emission/sustainable products or participation in renewable energy programs and adoption of energy-efficiency measures.

As part of our strategy update and defining new sustainability targets in 2019, we looked at different climate scenarios to determine an emission reduction pathway and set a science-based target in line with the 1.5-degree pathway.

Novozymes recognizes the value in using climate scenario analysis to understand the implications of climate change on our business, in guiding our overall strategy and in preparing for the future. While we presently use scenario analysis for qualitative assessments only, we anticipate including quantitative assessments in the coming years. We will take inspiration and guidance from our peers and other stakeholders, as the understanding of scenario analysis and its applications continue to evolve.

## Risk Management

Being a diverse business, Novozymes faces a diverse set of risks and uncertainties. Some may materialize within a short space of time, whereas others including climate change could emerge more gradually. We continuously strengthen our work on risk management to secure Novozymes' operations and plans for profitable growth.

As part of our Enterprise Risk Management (ERM) climate-related risks to the company are identified, managed and reported at different levels in the organization. Currently, at an asset level, Novozymes identifies climate-related risks based on a systematic risk mapping process, that include risks such as fire, earthquakes, drought, flooding, policy and regulatory changes, etc. We also conduct periodic assessment of environmental impact at all significant production sites and third parties are engaged to conduct periodic risk assessments and reviews.

The production of Novozymes' solutions is water-intensive and many of the raw materials sourced are agriculture-based and water-intensive to produce. Agriculture is affected by more frequent extreme weather conditions and other climate-related impacts. A severe drought could impact our production and limit our ability to meet customer demand by directly impacting our own operations or our supply chain.

Novozymes is committed to sustainable water management across our value chain, including in our own operations. In 2019, we conducted site-specific water-risk assessments to identify water-stressed sites and regions and included analysis of upcoming regulation related to water.

## Metrics and Targets

We strive to decouple environmental impact from business growth and aim to define targets and metrics that help us assess and manage relevant climate-related risks and opportunities.

Our climate related targets to reduce risks from our own operations are verified by the Science Based Targets Initiative (SBTi):

- Reduce absolute scope 1 and 2 GHG emissions 50% by 2030 from a 2018 base year.
- Source 100% electricity from renewable sources by 2030.
- Reduce absolute scope 3 GHG emissions from purchased goods and services 15% by 2030 from a 2018 base year.

Targets related to climate-related opportunities:

- Save 60 million tons CO<sub>2</sub> by enabling low-carbon fuels in the transport sector in 2022.

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### About Novozymes

Novozymes is the world leader in biological solutions. Together with customers, partners and the global community, we improve industrial performance while preserving the planet's resources and helping to build better lives. As the world's largest provider of enzyme and microbial technologies, our bioinnovation enables higher agricultural yields, low-temperature washing, energy-efficient production, renewable fuel and many other benefits that we rely on today and in the future. We call it Rethink Tomorrow.

### Novozymes A/S

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