











## Novozymes' material issues and how we address them in our value chain




It is important to understand where in the value chain our material issues are most relevant as it is a significant element in identifying the right ways of managing the issue. The table below helps in understanding this along with actions that we currently take to address these issues and the contribution that we make towards achieving UN Sustainable Development Goals (UN SDGs).

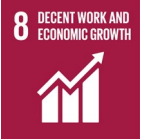


ESG Issues	Where in our value chain the issue is relevant	How we address this issue?	Contribution to SDG(s)
<b>HIGH material issues</b>			
<b>Innovation</b>  <i>Developing novel products and optimizing processes to meet global challenges</i>	Innovation, Technical Services and commercial execution, Customer use and End consumer use	<ul style="list-style-type: none"> <li>Dedicated R&amp;D for innovation pipeline projects. We also have a new leaner and agile approach to manage our innovation pipeline</li> <li>New Strategic Opportunities pillar under the updated strategy that will be focused on innovation inspired by the SDGs</li> <li>Exploring new innovation models and partnerships with customers, like-minded companies, suppliers and academic institutions for example: HelloScience – our new open innovation platform</li> </ul>	<b>9.4</b> Upgrade all industries and infrastructure for sustainability  
<b>Profitable growth</b>  <i>Managing organic sales growth that impacts company's operating profits</i>	Innovation, Sourcing, Production and Quality check, Distribution and sale	<ul style="list-style-type: none"> <li>Novozymes' updated strategy Better business with biology with three focus areas: Differentiate to succeed, Invest in impact and Spearhead new businesses has the core focus to improve company growth</li> <li>Targets on organic sales growth, EBIT and ROIC incl. goodwill</li> <li>Focused innovation in new high growth opportunity areas</li> </ul>	
<b>Partnerships and customer engagement</b>  <i>Developing partnerships with stakeholders (customers,</i>	Innovation, Sourcing, Technical Services and commercial execution, Distribution and sale, Customer use	<ul style="list-style-type: none"> <li>Policy advocacy and collective action in partnership with governments, industries and trade associations eg: P4G, SE4ALL, below50</li> <li>Customer satisfaction survey to evaluate and improve our engagement with customers</li> </ul>	<b>17.14</b> Enhance policy coherence for sustainable development <b>17.17</b> Encourage effective partnerships  


<p><i>government and academia) for continued business growth and maximizing sustainable impact</i></p>		<ul style="list-style-type: none"> <li>• Continuous customer education on Novozymes solutions through our Technical Services department and improved digital experience</li> </ul>	
<p><b>Compliance</b></p> <p><i>Complying with relevant legal, financial, governance, environmental and social regulations in all operating regions</i></p>	<p>Innovation, Sourcing, Production and Quality check, Distribution and sale</p>	<ul style="list-style-type: none"> <li>• Effective implementation of policies and management systems in-order to keep operations in compliance with existing rules and regulations across industries: eg: ISO 14001 for environment management, internal management system on occupational health and safety, compliance with financial laws and compliance with various industry related laws in each region of operation</li> <li>• Continuous reporting and monitoring to identify non-compliances and take adequate corrective actions</li> </ul>	
<p><b>Climate change and energy</b></p> <p><i>Addressing risks and opportunities due to climate change, reducing GHG footprint in value chain, increasing energy efficiency and share of renewable energy</i></p>	<p>Innovation, Sourcing, Production and Quality check, Customer use and End consumer use</p>	<ul style="list-style-type: none"> <li>• Position paper on Climate change that outlines our approach towards climate change</li> <li>• External goals and targets on renewable energy procurement and GHG reduction demonstrating climate action in own operations</li> <li>• Engaging with suppliers to reduce emissions in our supply chain</li> <li>• Implementation of energy efficiency projects at manufacturing sites</li> <li>• Life cycle assessments to demonstrate positive environmental and social impacts of Novozymes products</li> <li>• Transparent climate related disclosures in public platforms</li> <li>• Engagement with customers for knowledge sharing on environment and climate related benefits of our products, Eg: Enzyme Academy</li> </ul>	<p><u>7.A</u> Promote access to research, technology and investment in clean energy</p> <p><u>7.2</u> Increase global percentage of renewable energy</p> <p><u>7.3</u> Double the improvement in energy efficiency</p> <p><u>13.2</u> Integrate climate change measures into policies and planning</p>  
<p><b>Business Ethics</b></p> <p><i>Implementing mechanisms and</i></p>	<p>Innovation, Sourcing, Production and Quality check, Technical Services and</p>	<ul style="list-style-type: none"> <li>• Position paper on business integrity that mandates Zero tolerance on bribery and rules for gifts and donations along with various other measures</li> <li>• Mandatory employee training on business integrity principles</li> </ul>	<p><u>16.5</u> Substantially reduce corruption and bribery in all their forms</p> 

<p><i>processes that govern issues like corruption and bribery, anti-competitive practices, fraud and general code of conduct for day-to-day operations</i></p>	<p>commercial execution, Distribution and sale</p>	<ul style="list-style-type: none"> <li>• Internal control system for identification of fraud cases</li> <li>• Whistleblower Hotline for anonymous reporting on unethical business practices</li> <li>• Third-party due diligence of commercial partners to prevent unethical business practices over the value chain</li> </ul>	
<p><b>Corporate Governance</b></p> <p><i>Implementing mechanisms, policies and procedures that control and direct Novozymes' way of running business and operations</i></p>	<p>Innovation, Production and Quality check, Distribution and sale</p>	<ul style="list-style-type: none"> <li>• Position paper on business integrity specifies our intent to follow sound business practices based on values such as responsibility, accountability, openness, and honesty</li> <li>• Clear guidelines for hiring and continuous evaluation of Board of Directors and Executive Leadership Team to ensure the right competencies and composition at all times</li> <li>• Separate nomination and remuneration committee to assess the Board and its composition as well as its remuneration</li> <li>• Audit committee to monitor aspects relating to accounting, auditing, internal controls and financial, environmental and social reporting</li> </ul>	
<p><b>Water</b></p> <p><i>Addressing risks and opportunities associated with water availability and waste water discharge across the value chain</i></p>	<p>Innovation, Production and Quality check, Customer use and End consumer use</p>	<ul style="list-style-type: none"> <li>• Global sustainability policy that covers water management as an integral issue</li> <li>• External targets on water management</li> <li>• We will develop context based water management programs for all sites and continue to drive water efficiency for our own operations</li> <li>• Engaging with and supporting local communities on water related issues</li> <li>• Novozymes platform on Water that provides solutions for waste water treatment</li> </ul>	<p><u>6.3</u> Improve water quality, wastewater treatment and safe reuse</p> <p><u>6.4</u> Increase water-use efficiency and ensure freshwater supplies</p> <p><u>8.4</u> Improve resource efficiency in consumption and production</p> <p><u>12.2</u> Achieve sustainable management and efficient use of natural resources</p> <div style="display: flex; flex-direction: column; align-items: flex-end;"> <div style="background-color: #00AEEF; color: white; padding: 5px; margin-bottom: 5px;"> <p>6 CLEAN WATER AND SANITATION</p>  </div> <div style="background-color: #C8513D; color: white; padding: 5px; margin-bottom: 5px;"> <p>8 DECENT WORK AND ECONOMIC GROWTH</p>  </div> <div style="background-color: #D97E3B; color: white; padding: 5px;"> <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>  </div> </div>

			<p>14.1 Reduce marine pollution</p> 
<p><b>Product stewardship</b></p> <p><i>Taking responsible ownership of products to minimize adverse impacts. Includes product design, safety and handling and social and environmental impacts over life cycle</i></p>	<p>Innovation, Sourcing, Production and Quality check, Technical Services and commercial execution</p>	<ul style="list-style-type: none"> <li>• Our Quality and Product Safety policy outlines our position on product stewardship</li> <li>• Company-wide programs to ensure product stewardship and safety is enforced globally</li> <li>• Position papers on Product Information and Labeling, Traceability, Industrial Biotechnology, Animal Testing, REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) and IAP (Food Improvement Agents Package)</li> <li>• Providing our customers ready digital access to product safety information on our products</li> </ul>	
<p><b>Solid Capital Structure</b></p> <p><i>Managing Novozymes' ability to finance its operations and growth using different sources of funds</i></p>	<p>Innovation, Production and Quality check</p>	<ul style="list-style-type: none"> <li>• Ensuring favorable returns to our investors</li> <li>• Ensuring we manage and invest our financial capital to fund sustained growth</li> </ul>	
<p><b>Occupational health and safety</b></p> <p><i>All policies, procedures and initiatives to ensure safe, healthy and incident-free working environment for all</i></p>	<p>Innovation, Sourcing, Production and Quality check, Technical Services and commercial execution, Distribution and sale</p>	<ul style="list-style-type: none"> <li>• Global Health and Safety Policy and internal standards and procedures for maintaining safety culture</li> <li>• External targets on health and well-being of employees</li> <li>• Various initiatives like “BrainSpace”, “Act, Rethink and Talk”, “Actively Caring” etc. that are run globally</li> </ul>	<p>8.8 Protect labor rights and safe working environment</p> 

<p><b>Bio-ethics and bio-diversity</b></p> <p><i>Adoption of ethical, science-based regulation for processes and products involving gene technology. Includes aspects like responsible use of Gene technology, bio-diversity rights and conservation and access and benefit sharing</i></p>	<p>Innovation, Sourcing, Customer use and End consumer use</p>	<ul style="list-style-type: none"> <li>• Position paper on Industrial Biotechnology that outlines our approach towards Bio-ethics and biodiversity</li> <li>• Compliance with globally recognized principles on utilization of genetic resources</li> <li>• Novozymes endorses and respects the principles in the United Nations Convention on Biological Diversity and the complementary Nagoya Protocol on Access and Benefits Sharing</li> </ul>	<p>15.6 Promote access to genetic resources and fair sharing of benefits</p> 
<p><b>Responsible sourcing</b></p> <p><i>Ensuring sustainable supply chains by taking into account social and environmental considerations in addition to quality and economical aspects</i></p>	<p>Sourcing, Customer use and End consumer use</p>	<ul style="list-style-type: none"> <li>• It is crucial for Novozymes to have a secure supply of sustainable raw materials for our production. Agricultural raw materials are a major constituent of our production processes and we continue to focus our efforts to source renewable energy for our operations.</li> <li>• Our approach to responsible sourcing is mainly defined by our Responsible Purchasing Standards (RPS) and managed through our Supplier Performance Management (SPM) process</li> <li>• We ensure relevant training and capacity-building for all our category managers and buyers</li> <li>• We will work to strengthen our supplier sustainability profile by continuing the enrollment of suppliers onto SEDEX</li> <li>• We will focus on sourcing 100% renewable electricity, reducing Scope 3 emissions from key raw materials, developing circular packaging management of all key materials and reducing or substituting prioritized substances to safer alternatives</li> </ul>	<p>12.7 Promote public procurement practices that are sustainable, in accordance with national policies and priorities</p> 
<p><b>Labor practices and human rights</b></p> <p><i>Promoting fair labor practices, decent working conditions and respect for human rights including talent</i></p>	<p>Innovation, Sourcing, Production and Quality check, Technical Services and commercial execution, Distribution and sale</p>	<ul style="list-style-type: none"> <li>• Our People policy and People standard and position papers on Human rights and labor standards and Diversity and equal opportunity outlines our approach towards this issue</li> <li>• External targets on diversity and employee learning</li> <li>• Various programs and initiatives for employee growth and development; eg: Lead the Way</li> <li>• Novozymes endorses and respects various international guidelines and frameworks on human rights eg: UN Guiding</li> </ul>	<p>5.5 Ensure full participation in leadership and decision making 8.5 Full employment and decent work with equal pay</p> 

<p><i>management and employee retention</i></p>		<p>Principles (UNGP) on Business and Human Rights, The International Bill of Human Rights and The International Labor Organization's (ILO's) Declaration on Fundamental Principles and Rights at Work</p> <ul style="list-style-type: none"> <li>• Company-wide due diligence and impact assessment on human rights issues are carried out to identify human rights related risks and take appropriate measures for mitigation</li> </ul>	<p>8.7 End modern slavery, trafficking and child labor 8.8 Promote labor rights and safe working environments</p> 
<p><b>Trade Policies</b></p> <p><i>Managing impacts of changing global trade policies on business</i></p>		<ul style="list-style-type: none"> <li>• Novozymes closely monitors political developments and macro- and microeconomic indications to be able to respond quickly to any adverse developments</li> </ul>	
<p><b>Medium material issues</b></p>			
<p><b>Community engagement and social investment</b></p> <p><i>Creating value for society through engagement and investment programs</i></p>	<p>Innovation, End consumer use</p>	<ul style="list-style-type: none"> <li>• Most of Novozymes' community related activities are driven through education programs</li> <li>• External target that aims at engaging all Novozymes employees to contribute towards local communities</li> <li>• Regional strategic social investments initiatives</li> </ul>	<p>4.7 Education for sustainable development and global citizenship</p> 
<p><b>Data security</b></p> <p><i>System of policies and digital protection measures to prevent unauthorized access to computers, databases, the website and intellectual property</i></p>	<p>Production and Quality check</p>	<ul style="list-style-type: none"> <li>• Novozymes' Finance and legal policy is the overarching policy that covers Novozymes position on IT security and governance</li> <li>• We have internal control and measures on data protection and IT security</li> <li>• Strong patent system to avoid infringement by competitors by protecting discoveries, production strains, formulations and relevant know-how</li> </ul>	
<p><b>Waste</b></p> <p><i>Reducing waste, disposing it off appropriately and optimizing opportunities for</i></p>	<p>Innovation, Sourcing, Production and Quality check</p>	<ul style="list-style-type: none"> <li>• Novozymes Sustainability policy is the overarching policy and waste management is an integral part of it</li> <li>• Novozymes has external target on waste management</li> <li>• Initiatives to recycle non-hazardous solid waste and reuse of Biomass as a natural fertilizer</li> </ul>	<p>12.5 Substantially reduce waste generation</p> 

<p>waste recovery, recycling and re-use</p>			
<p><b>Deforestation and land use change</b></p> <p><i>Conversion of carbon-rich environments, such as forests and peatlands, to lower-carbon uses, including destruction of forest land for agriculture</i></p>	<p>Sourcing, Production and Quality check, Customer use</p>	<ul style="list-style-type: none"> <li>This is managed through Novozymes' Supplier Guidelines where suppliers are required to adhere to Zero net deforestation guidelines</li> </ul>	<p>15.2 End deforestation and restore degraded forests</p> 
<p><b>Tax</b></p> <p><i>Responsible and transparent global approach to corporate tax</i></p>	<p>Production and Quality check</p>	<ul style="list-style-type: none"> <li>Novozymes position paper on Tax outlines our approach towards addressing this issue</li> <li>Novozymes regularly enters into dialogue with the tax authorities to reduce tax risk</li> </ul>	
<p><b>Animal Welfare</b></p> <p><i>Policies and practices in place to ensure the wellbeing and humane treatment of animals. It includes Novozymes' protocols regarding animal testing</i></p>	<p>Innovation, Sourcing, Production and Quality check</p>	<ul style="list-style-type: none"> <li>Novozymes position paper on Animal testing outlines our approach towards animal welfare</li> <li>Novozymes strives to observe the principle of the three R's (replacement, reduction and refinement) for use of animals for testing</li> <li>We have an internal Science Ethics committee that controls animal testing</li> </ul>	

**For further details please refer:**

Novozymes business model on [Novozymes.com](https://www.novozymes.com)

Novozymes' positions and policies on [Novozymes.com](https://www.novozymes.com)

The Novozymes Report 2019 on [Novozymes.com](https://www.novozymes.com)

Novozymes' Supplier Guidelines on [Novozymes.com](https://www.novozymes.com)

Novozymes' commitments and targets on [Novozymes.com](https://www.novozymes.com)