

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 outlines a summary of key actions that we are undertaking to address these issues.

Material ESG Issues	Where in our value chain the issue is relevant	Summary of key actions we take to address the issue
<p>1. Innovation</p> <p><i>Developing novel products and optimizing processes to meet global challenges</i></p>	Innovation, Technical Services and commercial execution, Customer use and End consumer use	<ul style="list-style-type: none"> • Dedicated R&D for innovation pipeline projects. We also have a new leaner and agile approach to manage our innovation pipeline • New Strategic Opportunities as part of our updated strategy that is focused on innovation and inspired by the SDGs • Exploring new innovation models and partnerships with customers, like-minded companies, suppliers and academic institutions • Strengthening the use of M&A for technology and market access
<p>2. Profitable growth</p> <p><i>Managing organic sales growth that impacts company's operating profits</i></p>	Innovation, Sourcing, Production and Quality check, Distribution, and sale	<ul style="list-style-type: none"> • Novozymes' updated strategy Unlocking Growth – Powered by Biotech with three growth pillars: Evolve our core business, Expand BioHealth & human Nutrition and Explore new growth options has the core focus to double company's sales by 2030 • Targets on organic sales growth, EBIT and ROIC incl. goodwill • Focused innovation in new high growth opportunity areas with dedicated CAPEX investments
<p>3. Partnerships & customer engagement</p> <p><i>Developing partnerships with stakeholders (customers, government and academia) for continued business growth and maximizing sustainable impact</i></p>	Innovation, Sourcing, Technical Services and commercial execution, Distribution and sale, Customer use	<ul style="list-style-type: none"> • Our most significant contributions to society are driven through collaboration with our customers, consumers, governments, suppliers, academia, and others to learn, develop and deliver solutions to the most pressing needs of society. Our engagement with industry or trade associations further helps us in our policy advocacy efforts • Customer satisfaction survey to evaluate and improve our engagement with customers. • Continuous customer education on Novozymes solutions through our Technical Services department and improved digital experience

<p>4. Compliance</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"> • Effective implementation of policies and management systems in order to keep operations in compliance with existing rules and regulations across industries: e.g.: 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. • Continuous reporting and monitoring to identify non-compliances and take adequate corrective actions • We publish an annual statement under the UK Modern Slavery Act
<p>5 Climate change and energy</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"> • Our ambitious climate commitment, Accelerate towards a climate-neutral society, was launched under our refreshed strategy as part of our commitments to a healthy planet, and it guides our approach to addressing climate change issues. Our position statement on climate change and Sustainability policy anchors our approach. • Science based targets – a 50% reduction in absolute CO2 emissions from our operations (Scopes 1 & 2) and supply chain (Scope 3) by 2030 • Implementation of energy efficiency projects • Life cycle assessments to demonstrate positive environmental and social impacts of Novozymes products. • Transparent climate related disclosures. • Engagement with customers for knowledge sharing on environment and climate related benefits of our products. <p><i>See Note 7.1 Climate change in The Novozymes Report 2021</i></p>
<p>6. Business Ethics</p> <p><i>Implementing mechanisms and 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>Innovation, Sourcing, Production and Quality check, Technical Services and commercial execution, Distribution, and sale</p>	<ul style="list-style-type: none"> • Position paper on business integrity that mandates Zero tolerance on bribery and rules for gifts and donations along with various other measures • Mandatory employee training on business integrity principles • Internal control system for identification of fraud cases • Whistleblower Hotline for anonymous reporting on unethical business practices • Third-party due diligence of commercial partners to prevent unethical business practices over the value chain <p><i>See Note 8.4 Business ethics in The Novozymes Report 2021</i></p>

<p>7. Corporate governance</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"> • Position paper on business integrity specifies our intent to follow sound business practices based on values such as responsibility, accountability, openness, and honesty. • 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. • Separate nomination and remuneration committee to assess the Board and its composition as well as its remuneration. • Audit committee to monitor aspects relating to accounting, auditing, internal controls and financial, environmental and social reporting.
<p>8. Water</p> <p><i>Addressing risks and opportunities associated with water availability and wastewater 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"> • As part of our commitments to a healthy planet, our refreshed strategy re-emphasized our commitment to responsible water management and our ambitious target to manage water in balance with local conditions by 2030. Our position statement on Water and Sustainability policy anchors our approach. • Engaging with and supporting local communities on water related issues. • Our solutions enable our customers to reduce their water consumption, improve efficiency and wastewater quality by replacing chemicals. They also have the capabilities to provide improvements in the wastewater treatment industry by replacing hazardous chemicals. <p><i>See Note 7.3 Water in The Novozymes Report 2021</i></p>
<p>9. Solid Capital Structure</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"> • Ensuring favorable returns to our investors. • Ensuring we manage and invest our financial capital to fund sustained growth.
<p>10. Waste</p> <p><i>Reducing waste, disposing it off appropriately and optimizing opportunities for waste recovery, recycling, and re-use</i></p>	<p>Innovation, Sourcing, Production and Quality check</p>	<ul style="list-style-type: none"> • Novozymes is a firm supporter of closing the loop in favor of managing waste and resources in a responsible manner. Our biological solutions enable our customers to adopt more responsible use of resources. We are committed to minimizing waste from our operations, while utilizing precious resources in a circular manner. Waste management is anchored in our Sustainability Policy. • As part of our commitments to a healthy planet, our refreshed strategy re-emphasized our commitment to responsible waste management. By 2030, we aim to have zero waste from operations. To pave the way, by 2022 all production sites should have programs to reach zero waste by 2030. We are committed to minimizing the impact of the waste generated by our packaging materials by making our packaging recyclable, reusable or compostable. Therefore by 2022, we aim to have circular plans developed for all our key packaging materials <p><i>See Note 7.4 Waste in The Novozymes Report 2021</i></p>

<p>11. Employee safety and wellbeing</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"> • Global Health and Safety Policy and internal standards and procedures for maintaining safety culture • Take action and monitor progress to ensure organizational wellbeing, and health of employees • Focus on mental wellbeing is an ongoing activity that aims to help and inspire our leaders and employees <p><i>See Note 8.3 Employee safety & wellbeing in The Novozymes Report 2021</i></p>
<p>12. Bioethics and biodiversity</p> <p><i>Adoption of ethical, science-based regulation for processes and products involving gene technology. Includes aspects like responsible use of Gene technology, bioethics, 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"> • Novozymes' position paper on Biodiversity and Gene Editing captures the method in which we interact with biodiversity and how we contribute towards sustainable development. We are committed to sharing our knowledge about the potential of biology and industrial biotechnology with the public and other stakeholders outside of Novozymes • We support a science-based regulatory framework for products involving gene editing, operating in compliance with legislation and following any guidance and requirements from regulatory authorities on biotech innovation classification. We are committed to using scientifically-sound tools in a way that is safe to humans, animals and the environment • Novozymes' position paper on biodiversity articulates how we endorse, acknowledge and respect the principles of the United Nations Convention on Biological Diversity and the complementary Nagoya Protocol on Access and Benefits Sharing <p><i>See Note 8.6 Bioethics & biodiversity in The Novozymes Report 2021</i></p>
<p>13. Responsible sourcing</p> <p><i>Ensuring sustainable supply chains by taking into account considering 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"> • Novozymes' responsible sourcing practices are focused on environmental, social, and governance issues across our value chain. Agricultural raw materials are a major component of our production processes and a responsible and secure supply of them is crucial to Novozymes' production. Novozymes requires all contracted suppliers to comply with our RPS, as well as, when requested, to complete questionnaires and to accept visits and audits relevant for confirmation of compliance with the standards. We also relevant strategies for our indirect sourcing. • Our approach to responsible sourcing is defined by our Responsible Purchasing Standards (RPS) and managed through our Supplier Performance Management (SPM) process and the Supplier Ethical Data Exchange (SEDEX) platform. • Responsible sourcing is a key driver of Novozymes' journey towards becoming carbon neutral, and we continue to focus on our commitment of securing 100% renewable electricity by 2030 as well as reducing our Scope 3 CO₂ emissions together with suppliers

<p>14. Diversity & Inclusion <i>Nurture a culture of inclusiveness and belonging where employees have a sense of shared purpose</i></p>	<p>Innovation, Novozymes employees, End consumer use</p>	<ul style="list-style-type: none"> • At Novozymes, we have a policy for diversity and equal opportunities, which covers the entire workforce. To improve diversity, we monitor and implement measures across all layers of management. • In 2021, as part of our refreshed strategy update, we set ambitious targets to nurture a diverse, inclusive, engaging and thriving working environment. Specifically, we aim to achieve gender balance across all professionals and in senior leadership by 2030. This means that, as a minimum, we will have 45% women and 45% men across all professionals and in senior leadership. • Novozymes is taking a regional approach to developing and defining representation programs based on local demographics, to address diversity dimensions beyond gender <p><i>See Note 8.2 Diversity and inclusion in The Novozymes Report 2021</i></p>
<p>15. Labor practices and human rights <i>Promoting fair labor practices, decent working conditions and respect for humanrights including talent management and employee retention</i></p>	<p>Innovation, Sourcing, Production and Quality check, Technical Services and commercial execution, Distribution, and sale</p>	<ul style="list-style-type: none"> • Our People policy and People standard and position papers on Human rights and labor standards, Diversity and equal opportunity Policy outlines our approach towards this issue • Novozymes is committed to providing a working environment where all individuals can work together comfortably and productively, free of any kind of harassment and discrimination • Various programs and initiatives for employee growth and development • Novozymes respects human rights as defined by the UN Guiding Principles on Business and Human Rights and has implemented them in our operational policies and procedures. We respect the International Bill of Human Rights, the International Labor Organization’s Declaration on Fundamental Principles and Rights at Work, and, since 2001, we have been a signatory to the United Nations Global Compact. Novozymes is also a signatory to the Women’s Empowerment Principles. • Company-wide due diligence and impact assessment on humanrights issues are carried out to identify human rights related risks and take appropriate measures for mitigation <p><i>See Note 8.1 Labor practices & human rights in The Novozymes Report 2021</i></p>
<p>16. Community engagement and social investment <i>Creating value for society through engagement and investment programs</i></p>	<p>Innovation, End consumer use</p>	<ul style="list-style-type: none"> • Novozymes has committed to contribute to our local communities and inspire people about the potential of biology. As part of this commitment, Novozymes has set a target to Pledge 1% of our time to local outreach activities. • Our community engagement initiatives are driven through our Inspire-related initiatives. The Inspire program is governed by strong guardrails to guide implementation and determine eligibility, and is led by a cross-functional team <p><i>See Note 8.6 Community engagement The Novozymes Report 2021</i></p>

<p>17. Data security</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"> • Novozymes' Finance and Legal policy is the overarching policy that covers Novozymes position on IT security and governance • We have internal control and measures on data protection and IT security • Strong patent system to avoid infringement by competitors by protecting discoveries, production strains, formulations, and relevant know-how
<p>18. Deforestation and land use change</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"> • This is managed through Novozymes' Supplier Guidelines – All our suppliers of directly sourced agricultural raw materials are required to adhere to our deforestation requirements by not contributing to further deforestation and to have zero tolerance for land grabbing.
<p>19. Tax</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"> • Novozymes' Tax policy outlines our approach towards addressing this issue • We seek good relationships and dialogue with tax authorities in the countries where we operate. Novozymes has a low acceptance of tax risks. When implementing business transactions, we aim to understand the tax implications and risks.
<p>20. Animal Welfare</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"> • Novozymes position paper on Animal testing outlines our approach towards animal welfare • Novozymes strives to observe the principles of the three R's (replacement, reduction and refinement) for use of animals for testing • We have an internal Science Ethics committee that controls animal testing
<p>21. Supply chain security</p>	<p>Sourcing</p>	<ul style="list-style-type: none"> • Our Responsible Sourcing policy and guideline are used in all our engagement with suppliers • We constantly evaluate risks in our supply chain to ensure a secure and responsible supply of raw materials
<p>22. Trade Policies</p> <p><i>Managing impacts of changing global trade policies on business</i></p>	<p>Sourcing, Production and Distribution</p>	<ul style="list-style-type: none"> • Novozymes closely monitors political developments and macro and microeconomic indications to be able to respond quickly to any adverse developments

<p>23. Product stewardship</p> <p><i>Taking responsible ownership of products to minimize adverse impacts. Includes product design, safety and handling and social and environmental impact over life cycle</i></p>	<p>Innovation, Sourcing, Production and Quality check, Technical Services and commercial execution</p>	<ul style="list-style-type: none"> • Our Quality and Product Safety policy outlines our position on product stewardship • Company-wide programs to ensure product stewardship and safety is enforced globally • 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) • Providing our customers ready digital access to product safety information on our products <p><i>See 7.7 Product stewardship in The Novozymes Report 2021</i></p>
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Updates ongoing

Refer the below for more information

[Novozymes business model](#)

[Novozymes' positions and policies](#)

[The Novozymes Report](#)

[Novozymes' Supplier Guidelines](#)

[Novozymes' sustainability commitments and targets](#)