

Sustainability Report 2020

Rethink tomorrow

novozymes 

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COMMUNICATION
ON PROGRESS



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Keeping up momentum

Every day in 2020, Novozymes' biological solutions and operations delivered towards our purpose, contributed to achieving the SDGs and lived up to the Ten Principles of the UN Global Compact for responsible business.

The year 2020, and COVID-19 in particular, has served as a wake-up call to society. It has shown us how vital it is that we understand and respect the larger ecosystems we are part of, how our interaction with nature may affect us all and the need to work together to solve global challenges.

At Novozymes, we apply innovation through science to develop solutions that address important societal needs. Sustainability is in our DNA, it drives everything we do: whether it be the way we work, how we run our operations, bring our solutions and products to our customers or engage with the communities we are a part of. It is deeply embedded in our purpose "Together, we find the biological answers for better lives in a growing world, let's rethink tomorrow" and our strategy "Better business with biology". By living our purpose and delivering on our strategy, we generate value for our customers, shareholders and society at large, short term as well as long term.

Our progress

In 2020, we stayed on course towards our 2030 sustainability goals and targets. For example, we increased the share of renewables in our sourcing of electricity to 69% and reduced absolute emissions from our operations by 46%. We are on track to meet our science-based commitments to halve CO₂ emissions from our own operations by 2030. This year, Novozymes endorsed the CEO Water Mandate and committed to advancing water stewardship. We partnered with WWF to develop context-based water management plans for our Chinese sites. We managed to keep our operations running during the pandemic, whilst safeguarding the health and safety of our employees. Progress on our diversity and employee engagement targets has also been satisfactory.

Our biggest positive contribution to society and the SDGs comes from our science-based biological solutions. Examples are the 49 million tons of CO₂ emissions avoided through

our low-carbon fuels for the transport sector and the 3.98 billion people we reached with laundry solutions based more on biology and less on chemicals. In 2020, we continued to innovate new solutions delivering to the SDGs. We launched Taegro® together with Syngenta, to provide farmers with a chemical-free fungicide to protect fruits and vegetables from disease, thereby improving food production with less environmental impact. Another example is Protana® Prime which improves the flavor profile of plant proteins and thereby enables a switch to more plant-based diets, which offers a big potential for helping to reduce agricultural land use and CO₂ emissions.

Partnering for the SDGs

At Novozymes, sustainability has been a priority for decades and we take pride in being a partner in helping to achieve the SDGs. We are committed to doing our part and to collaborate with public and private sector partners, to help build the sustainable future we all want. To leverage the power of collaboration and partnerships, to promote and accelerate innovation for the SDGs, we have co-founded and are engaged in HelloScience, an open innovation platform helping to combine applied research, social, environmental and commercial innovation.

Supporting our communities

We are part of the local community, wherever we are located. It is our responsibility to engage, support and inspire local communities to pursue their own sustainability initiatives. In 2019, we created 'Inspire the World' as a new target to encourage and enable employees to use 1% of their time on local outreach initiatives. Responding to local challenges in

the face of COVID-19, many Zymers stepped up - investing their resources, time, and creativity in helping communities respond to the consequences of the pandemic. As an organization, we used our core business competences and helped set up and run large-scale production of ethanol to be used for hand sanitization. We also prioritized keeping all our production plants running in order to secure a supply of food and cleaning ingredients; and we provided enzymes for COVID-19 testing kits.

Looking ahead

Although I hope 2021 will be better than 2020, I also know that it will be challenging. There has never been a greater need for innovation and collective action to make our societies more resilient to the pandemic, climate change and many other sustainability challenges. We will continue to bring the benefits of biology through our solutions and progress on our 2030 ambitions on climate, water, production and consumption. By doing so, we will continue to contribute towards the SDGs and make progress on the Ten Principles of the UN Global Compact. Our commitment to enable better lives in a growing world in partnership with our customers remains strong!



Ester Baiget CEO

Novozymes and the UNGC

Novozymes has engaged with the UN Global Compact (UNGC) since 2001 and has been a LEAD member since 2011. We actively support the UNGC's global and regional work on the SDGs and climate change and participate in the UNGC's local networks in Denmark, Brazil, USA, China and India.

We also actively participate in UNGC facilitated peer network meetings to share learnings on key sustainability issues - for example, in sustainability reporting, covering topics such as the recommendations of the Task Force for Climate Related Disclosures (TCFD), SDG reporting and the EU taxonomy.

Novozymes and the UNGC

2020 highlights

Novozymes signed the UNGC statement in support of the UN and multilateral institutions and provided support for the UNGC LEAD Expert Group as part of the UNGC Strategic Review process.

Novozymes President and CEO Ester Baiget was invited to ring the bell for Gender Equality together with UNGC Denmark, Nasdaq Copenhagen, UN Women and other leaders.

In Brazil, we shared our experiences from our human rights impact assessment work with other companies in the UNGC Brazil network in a workshop conducted by the regional Human Rights Platform.

In China, we continue to be recognized as pioneers for climate change action and ecology conservation and for the third time, we were awarded 'Best Practice for companies in achieving SDGs'.

Key engagements

Business Ambition for 1.5°C
— Our Only Future

CEO Water Mandate

Women's Empowerment Principles

Caring For Climate

UNGC Action Platforms


Business Ambition for Climate and Health

Reporting on the SDGs



Progress on the Ten Principles

Theme

<div>Human rights and Labor</div> <div>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</div> <div>Principle 2: make sure that they are not complicit in human rights abuses.</div> <div>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</div> <div>Principle 4: the elimination of all forms of forced and compulsory labor</div> <div>Principle 5: the effective abolition of child labor; and</div> <div>Principle 6: the elimination of discrimination in respect of employment and occupation.</div>	<div><p>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 active with the UNGC.</p><p>Novozymes is committed to ensuring equal opportunities and avoiding discrimination based on race, religion, gender or age in our global organization. We have a policy for diversity and equal opportunities, which covers the entire workforce.</p><p>Novozymes is committed to providing a work environment where all individuals can work together comfortably and productively, free of any kind of harassment and discrimination. We recognize and respect the right to form and join associations and to bargain collectively. Our People & Organization function works together with local leaderships to facilitate the fulfillment of these fundamental rights in countries with limited labor legislation.</p><p>Novozymes engages in forums to learn about and promote gender equality. We are also a signatory to the Women's Empowerment Principles. One of Novozymes' primary priorities on the diversity agenda has been to increase the number of women in senior management.</p><p>Novozymes believes that respectful, professional conduct furthers Novozymes' mission and is fundamental to a good workplace. Novozymes is committed to ensuring the prevention of modern slavery and human trafficking in its business and supply chain. We publish our annual statement under the UK Modern Slavery Act on our website. We conduct regionally focused human rights impact assessments to identify and assess human rights risks and impacts in our business and supplier base. As human rights risks vary from region to region, this approach enables us to gain a more comprehensive understanding of human rights risks, our positioning and the associated gaps within the respective regions.</p><div> See Notes 8.1 and 8.6 in 'Accounts and performance'</div></div>
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Theme

Environment

Principle 7:

Businesses should support a precautionary approach to environmental challenges

Principle 8:

undertake initiatives to promote greater environmental responsibility; and

Principle 9:

encourage the development and diffusion of environmentally friendly technologies.

Novozymes' approach to environmental management is anchored in our Sustainability Policy. We are guided by the UN Sustainable Development Goals (SDGs) and we have carefully considered how we can make a positive and tangible impact. We have made commitments (**SBTi verified**) to help limit global warming increase to 1.5°C (Climate), ensure clean and efficient use of water (Water) and produce more and better products with less impact (Production & Consumption).

We are committed to complying with all environmental regulations at all our sites and to maintaining high standards of environmental management on various aspects, including pollution prevention, resource conservation and waste reduction.

Our research and business are based on bio-innovation. Climate action is an integral part of our business strategy and our solutions enable our customers and end users to reduce CO₂ emissions through the application of our solutions. Novozymes' existing solutions specifically in textile and laundry enable our customers to reduce water consumption compared with conventional methods and improve wastewater quality by replacing chemicals. 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**. Internal procedures in our management system ensure that we live up to our commitments. We adhere to responsible sourcing as defined by our Responsible Purchasing Standards (RPS) and managed through our Supplier Performance Management (SPM) process and **SEDEX** sustainability platform.



See Notes 7.1 to 7.7 and 8.6 in 'Accounts and performance'

Anti-corruption

Principle 10:

Businesses should work against corruption in all its forms, including extortion and bribery

Novozymes is committed to conducting business in a responsible, ethical, and transparent manner and to meeting stakeholders' expectations of high business integrity standards across our operations. We have adopted seven business integrity principles that lay the ground rules for engaging with third parties and apply to all our employees across the world. The business integrity principles are inspired by and adhere to the **UN Convention against Corruption**. They underline Novozymes' zero tolerance approach to bribery and set clear rules for gifts and donations. They act as Novozymes' code of conduct in business integrity matters and form the basis of our efforts to eliminate all forms of corruption.



See Notes 8.3 and 8.6 in 'Accounts and performance'

Sustainability 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. The Board is responsible for overseeing financial and environmental, social and governance (ESG) performance as part of the Executive Leadership Team's day-to-day running of the company.

In 2020, Novozymes established a Corporate Sustainability Committee in the new organizational set-up reporting directly to the Executive Leadership Team (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.

The committee consists of members from senior leadership representing various functions and is chaired by the Executive Vice President of People, Sustainability & Brand function.

Sustainability drives the way we do business

Sustainability drives the way we do business and we have always taken the triple bottom line approach to generate economic, environmental and social value. We manage our performance on material ESG issues through relevant targets and KPIs. Achieving our 2022 non-financial targets will put us on the path to accomplish our 2030 commitments. Our commitments and targets are focused on Climate, Water, Production & Consumption and Employees and guided by the SDGs.

2020 highlights

Novozyymes sourced 69% of our global electricity consumption from renewable sources, making progress towards our 2030 commitment. CO₂ emissions (scope 1+2 only) from our operations decreased by 29% to 234,000 tons from 330,000 tons in 2019.

We developed contextual water management programs for two of our sites in China and have identified water targets that will help us address water challenges in and around these sites. Within

our operations, we achieved water savings of 45,000 m³ for the year through water reduction and re-use projects.

97% of our biomass volume was handled in a circular set-up where nutrients, such as nitrogen and phosphorus, are used in agriculture and developed zero waste programs for three of our major sites located in Denmark.

For our nurture diversity target, we achieved 83 on our diversity index, which is based on gender and nationality. We met our target to drive down the three-year rolling average of lost-time injury frequency rate to 1.5.

Our business integrity training was completed by 99% of our employees in scope and focused on risks relating to conflicts of interest.



For more information on measurement of outcomes, refer to 'Targets' and 'Accounts and Performance'.

Collective action

At Novozymes, we recognize the importance of stakeholder engagement and partnerships to drive transformational change and have a significant impact on society.

Our stakeholders are essential partners in delivering on our purpose and the SDGs. 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. We maintain a transparent and ongoing dialogue with our investors on both financial and ESG performance. This is crucial to ensuring strong long-term relationships and improving our performance on material issues.

Novozyymes engages with governments in all our regions of operation, primarily through policy advocacy. Our engagement with industry or trade associations further helps us in our policy advocacy efforts. Novozymes presents its positions to policymakers and other interested parties in accordance with national and international laws. Our public affairs employees in Europe, United States, India

and China primarily engage with governments through advocacy and consultation forums. They are registered in dedicated lobbyist registers, as legally required (e.g.: the Transparency Register in Brussels). Novozymes does not support political parties or politicians. We do not disclose other contributions, except where required by law. In 2020, in the US, Novozymes spent DKK 3.3 million on policy advocacy.

“Our engagement with industry or trade associations further helps us in our policy advocacy efforts. Novozymes presents its positions to policymakers and other interested parties in accordance with national and international laws.”



2020 highlights

Novozymes established strong internal and external engagement to secure success towards our long-term water strategy. We became a proud signatory to the CEO Water Mandate and established a partnership with the World-Wide Fund for Nature (WWF). WWF will help us to develop contextual water programs for our key sites that will ensure our efforts are focused on addressing the priority operational and basin water challenges. Novozymes has also joined the Science Based Targets Network's (SBTN) Freshwater Hub working group, which drives the development of methodology for science-based targets for water.

Our products help food producers meet the growing consumer demand for high-quality, healthy and sustainable foods. In 2020, we partnered with Firmenich to deliver healthier yogurt solutions with 50% less sugar through the use of our enzyme Saphera®.

We began to implement our scope 3 target to reduce our absolute CO₂ emissions from purchased goods and services. We are exploring multiple levers to achieve our target such as substitution to less CO₂ intensive materials and engaging with our suppliers to drive emission reductions.

Our 'Inspire' target is about helping our communities respond to local challenges. In 2020, the biggest crisis we all faced was the COVID-19 pandemic. Our employees in all regions stepped up by contributing their resources, time, and creativity to help their communities respond to the pandemic and other pressing local issues.



See 'Targets' and 'Community engagement' for further information.

Novozymes continued to drive collaborative innovation for the SDGs via its **HelloScience platform**. Leveraging its digital capabilities, a COVID-19 inspired challenge was launched in Denmark, among other activities, focusing on the **future of sustainable cleaning** with Nilfisk, local authorities, business associations and start-ups. Elsewhere, partnerships were established to support social innovation in the Arctic Region with **Sustainia** and to drive sustainable business innovation with **Nordin in India**. High impact projects within the HelloScience ecosystem like SolarSack have also continued forward, including providing safe drinking water for refugees in Uganda.

Novozymes maintained its active involvement throughout the year with the International Chamber of Commerce (ICC), notably through its work on Climate, Sustainability and Environmental issues and its Commissions, with ICC taking a key role in terms of business responses to COVID-19. In September 2020, Novozymes' President and CEO Ester Baiget spoke at the **SDG Business Forum** as part of this year's virtual UN General Assembly, co-organized by ICC, UNGC and UN DESA (Economic and Social Affairs) on the role of Sustainable Business Leadership, Purpose and Innovation.

Novozymes also maintained its support for the work of both the United States Council for International Business (USCIB) and the USCIB Foundation in 2020, with Novozymes' President and CEO Ester Baiget being elected to the Board of Trustees. USCIB's work across Biodiversity, Climate, Circular Economy and its ongoing support for inclusive multilateralism and the role of the U.S. in key international negotiations and processes such as the UNFCCC Paris Agreement were at the center of Novozymes' engagements with the organization.

Our advocacy for climate action

We align our actions with our advocacy for a low carbon future. Novozymes actively engages in global discussions, partnerships and advocacy for robust policy framework to decarbonize the global economy with key stakeholders.

We engage directly with key stakeholders in government, industry and organizations around the world to maintain and strengthen political momentum and we offer knowledge and insights to broaden the understanding of industrial biotech and the industry's contribution to the green transformation and the Paris Agreement.



In the EU, through its representation in various industry organizations such as EuropaBIO, ePURE, EBIC, Novozymes supports the EU Green Deal, which articulates a roadmap for how Europe will live up to its ambitious climate commitments and make its economy circular, biobased and sustainable.



In the US, Novozymes has supported key climate legislation, such as the Renewable Fuel Standard which provides reduced GHG-emissions renewable fuels market access via minimum annual blending volume requirements and the Growing Climate Solutions Act which would enable farmers and foresters to participate in carbon credit markets.



In Denmark, Novozymes is part of the 'Climate Partnership for Life Science & Biotech' which aims to give recommendations on how each industrial sector can contribute to reducing GHG emissions and reach the Danish government's target of reducing absolute GHG emissions by 70% by 2030, compared to 1990.



In China, Novozymes supports the Government's ambition of becoming carbon neutral by 2060 and its overall objective of the clean energy strategy in the 14th national five-year plan. Novozymes also advocates for more policy support and subsidies for the advanced bioethanol sector due to its contribution to China's circular economy.



In Brazil, Novozymes was a founding member of the Association of Industrial Biotechnology (ABBI), which played a key role in establishing the RenovaBio program, which seeks to reduce the emissions intensity of the Brazilian transport sector in line with its commitment to the Paris Agreement.



In India, Novozymes has, through the Confederation of Indian Industry (CII), extensively engaged with government and industry stakeholders in shaping the National Policy on Biofuels which is aimed at achieving energy security, reducing carbon emissions and reducing dependence on fuel imports. Further, Novozymes supports the Indian government's efforts on climate action and the green transition and will proactively participate in the initiatives through the Danish Embassy in the country.

For further information refer to:



This is Novozymes in
'The big picture'



Novozymes' policies and position
statements at [Novozymes.com](https://www.novozymes.com)



Working with SDGs in
'The big picture'



Materiality and value chain
assessment at [Novozymes.com](https://www.novozymes.com)



Targets in
'Our business'



Partnerships and collective
action at [Novozymes.com](https://www.novozymes.com)



Notes in
'Accounts and Performance'



Awards and Recognitions
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