

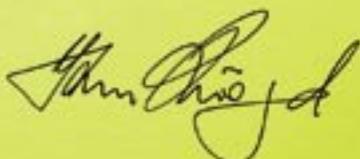
**Communication on Progress
in implementing the UN
Global Compact principles**

Renewed support for the UN Global Compact

When we formulated Novozymes' values (The Novozymes Touch), we decided to join the UN Global Compact. Besides supporting a historically unique UN initiative, we considered this decision a natural extension of Novozymes' longstanding work on integrating sustainability into our way of doing business.

In accordance with instructions from the UN Global Compact Office, this year we report on progress in implementing the principles of the Global Compact concerning human rights, labour standards and the environment, as we did in 2003. Following the introduction of a tenth principle on anti-corruption, which was added in the wake of the UN Convention against Corruption, we report on this principle too in 2004.

Novozymes has supported the introduction of the new anti-corruption principle, and we hope that our continued support for the UN Global Compact will also inspire business partners and others to play an active part in contributing to sustainable development.



Steen Riisgaard, President and CEO

UN Global Compact

Introduction

This is a brief summary on progress in implementing the principles of the Global Compact (see www.unglobalcompact.org).

Novozymes' overall approach to sustainability is presented after the review of the individual principles. Note also that Novozymes' reporting on the Global Reporting Initiative (GRI) constitutes a separate document on the CD-ROM in The Novozymes Report 2004.

Human rights and labour standards – principles 1-6

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

A global standard for social responsibility

As part of Novozymes' internal quality management system, we have introduced a global standard listing minimum standards for compliance with basic human rights and core labour standards. Among other things, these minimum standards include the right to freedom of association and collective bargaining. They also prohibit forced labour, discrimination in any aspect of employment, and the employment of children below 15 years of age.

Novozymes' continued compliance with these minimum standards is monitored internally, e.g. by requiring all our business units to self-assess their compliance with the minimum standards, including an assessment of whether the right management systems are in place. In 2004 we continued carrying out workshops to ensure

that the entire organisation is aware of Novozymes' position on both human rights and labour standards.

Local strategies for social responsibility

In 2004 we launched an intranet providing guidance on social responsibility and access to implementation tools. Among other things, these tools have been used by selected business units throughout the world for developing local strategies for social responsibility, e.g. mapping stakeholders and prioritising focus areas within human rights and labour standards. These strategies will be used for identifying examples of best practice for internal knowledge sharing.

Social responsibility in our supply chain management

In 2003 Novozymes launched a special scheme called "Purchasing with Decency". This scheme has primarily been devised to draw our suppliers' attention to the importance of ensuring compliance with basic human rights and core labour standards. Any challenges are resolved through dialogue and collaboration with the supplier in question. Having undergone special training, Novozymes' local purchasing teams are now managing the scheme. While the scheme covered 35% of Novozymes' raw material suppliers for enzyme production in 2003 (measured in raw material costs), in 2004 we reached our target of covering 80% of our raw material suppliers. In the long term we expect to integrate the scheme into our purchasing management system in line with the evaluation of suppliers' environmental performance, which is already anchored in this system.

A project on equal opportunities and diversity

At the end of 2004 we initiated a global project to identify opportunities for further integrating equal opportunities and diversity into existing management systems.

Further information

Further information on Novozymes' implementation of the principles concerning human rights and labour standards is available on pages 42-43 of The Novozymes Report (Report). See also the information on performance in 2004 on the CD-ROM and at www.novozymes.com/sustainability.

Environment – principles 7-9

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.

A precautionary approach and stakeholder dialogue

Novozymes uses gene technology, and our production is to a great extent based on genetically modified organisms. This fact is a contributory factor in requiring our research & development and production carefully to observe compliance with a series of safety procedures. We also maintain an ongoing dialogue with our stakeholders on these matters.

Biotechnology as a good alternative and provider of solutions

We market our products as environmentally friendly biological solutions. We are convinced that biotechnology can help in solving some of the big global environmental problems. For example, our enzyme products can replace environmentally hazardous chemicals in many traditional industrial processes. In 2004 we documented this through a series of product lifecycle assessments, which will be expanded and developed in the coming years.

Focus on energy consumption and climate change

All our enzyme production sites are ISO 14001-certified, and partly because of that Novozymes has been able to make increasingly efficient use of resources in the production of enzymes over the years, including the use of energy. Energy efficiency (and the choice of energy sources) is related to reducing emissions of carbon dioxide and so global climate change.

In 2004 we carried out an analysis and evaluated the possibilities for reducing emissions of greenhouse gases from our production. The results were used as a basis for drawing up a new energy and climate strategy, which aims to bring about further improvements in energy efficiency and, in the longer term, a decoupling of business growth and carbon dioxide emissions. With regard to car-

bon dioxide and climate change, it is important to view Novozymes' products from a lifecycle perspective, as it is through the use of enzyme products that Novozymes can contribute most to reducing emissions of carbon dioxide.

Environmental criteria integrated into our purchasing management system

The evaluation of our suppliers' environmental performance has been a fully integrated part of our purchasing management system for a number of years, on equal terms with more traditional purchasing criteria. In 2004 we carried out environmental pilot audits of three suppliers and set new targets for 2005.

Further information

Further information on Novozymes' implementation of principles 7-9 is available in The Novozymes Report 2004. See also www.novozymes.com/sustainability.

Anti-corruption – principle 10

Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.

A global standard for business integrity

As part of Novozymes' internal quality management system, we established a global standard on business integrity in 2004 to be implemented in 2005. The standard clarifies our values and lists six integrity principles covering bribes, facilitation payments, money laundering, protection money, gifts, and political and charitable contributions.

When implementing the new set of principles, we will develop training material and train selected employee groups. Furthermore, all employees will have access to guidance and be able to raise concerns about possible breaches of our integrity principles anonymously. A special Committee on Business Integrity is responsible for managing implementation.

Further information

Further information on Novozymes' implementation of the anti-corruption principle is available on page 23 of The Novozymes Report 2004 (Report). ■



Novozymes' overall approach to sustainability

Further information on Novozymes' work on sustainable development can be found in The Novozymes Report 2004, which is an integrated annual report containing not only financial data but also environmental and social data. The report is available at www.novozymes.com, together with a brief outline of all Novozymes' reporting activities. Novozymes uses the AA1000 assurance standard. On our website we also present Novozymes' values (The Novozymes Touch) and our policies and positions on aspects of sustainable development. Particular reference is made to Novozymes' Social Responsibility Policy and Environment and Bioethics Policy.

Novozymes' commitment to the UN Global Compact is part of our values. Consequently, the Global Compact principles are guiding Novozymes' work on integrating social, environmental and ethical responsibility into all our business processes and decisions.

With a view to ensuring ever greater integration of sustainability into our way of doing business, Novozymes has set up a special strategy group called the Sustainability Development Strategy Group (SDSG), which reports to the Executive Management. This strategy group is responsible for Novozymes' overall strategy for sustainability development, including monitoring performance. The group consists of senior managers from our global organisation. They are supported by a Sustainability Development Center, comprising specialists in social responsibility, environmental matters, bioethics and business ethics.

Sustainability is a fixed item on the agenda twice a year at meetings of Novozymes' Board of Directors, and key sustainability indicators are reported quarterly both internally and externally.

Novozymes' business units are regularly assessed by a facilitator corps. These facilitators assess compliance with our values, policies and standards through interviews with employees at all levels. Novozymes also has a special ombudsman, who provides an opportunity for all employees to have cases heard which they believe to be in conflict with Novozymes' values, policies and management standards.

In 2004 a number of qualitative and quantitative sustainability targets were integrated into the bonus scheme for the Executive Management and other senior managers (see page 42 of The Novozymes Report 2003 (Report) and pages 42-43 of the Novozymes Report 2004 (Report)).