

THE NOVOZYMES REPORT 2014

MY EXTRACT

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A new era for sustainability

In 2014, Novozymes strengthened its engagement with the UN Global Compact and helped shape the role of businesses in the new global sustainable development agenda.

Given the many challenges facing our global society today, our commitment to the UN Global Compact and its 10 Principles has never been stronger. Novozymes has been a signatory to the UN Global Compact since 2001. The 10 Principles are firmly embedded in our corporate values and purpose. We were one of the pioneering companies to join the UN Global Compact LEAD forum. As an active UNGC LEAD member, Novozymes demonstrates its support for broader U.N. goals and issues by engaging with various U.N. working groups such as Caring for Climate, and regional networks in the Nordic region, India, Brazil, China and North America.

TOWARD A LOW-CARBON ECONOMY

In September 2014, Novozymes participated in the UN Climate Summit in New York, where we were recognized as a Carbon Pricing Champion for making a public commitment to putting a price on carbon. We were also invited to attend the Caring for Climate Business Forum at COP20 in Lima in December 2014, and reinforced our position as a climate leader by engaging with experts on aligning our target to reduce greenhouse gas emissions with the new science-based approach, once this has been finalized.

With momentum building toward a global climate change deal in Paris in 2015, Novozymes is well poised as an enabler of the low-carbon economy of the future. In 2014 alone, the application of our biosolutions helped our customers save 60

million tons of CO₂. By 2020, we aim to help our customers save 100 million tons of CO₂ annually.

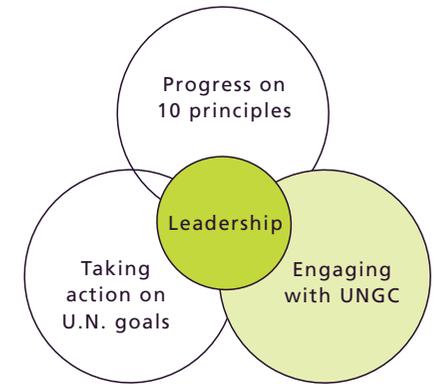
PROMOTING SUSTAINABLE ENERGY FOR ALL

In 2014, Novozymes participated in the first-ever U.N.-led Sustainable Energy for All (SE4All) Forum in New York, where we successfully led a high-level panel discussion that catalyzed the creation of the Sustainable Bioenergy High Impact Opportunity (HIO). This public-private partnership will facilitate and promote the development and deployment of sustainable bioenergy solutions across key sectors and industries.

Today, the HIO has 10 partners and will be jointly chaired by the United Nations Food and Agricultural Organization (FAO) and the International Union for the Conservation of Nature (IUCN). Novozymes will serve on the Steering Committee and will continue to sponsor the HIO Secretariat until the end of 2015. We believe that this platform for promoting the global bioeconomy has the potential to unlock new opportunities for inclusive growth in emerging markets.

BEYOND 2015

Our world today continues to face many challenges, such as a growing global population with a rising need for food, water and energy. We have defined our purpose and strategy around meeting these challenges. And so, from 2015 onward, Novozymes will be guided by a purpose that draws inspiration from the United Nations' new global development priorities.



Moving forward, we believe that our success will be determined by our ability to catalyze global partnerships for change. We will partner and share insight and expertise with our customers, investors, governments and other stakeholders. Together we will maximize our positive impact in the world and help achieve the sustainable future we all want.

Peder Holk Nielsen
President & CEO



Governance structure and strategy

Novozymes' sustainability materiality assessment is a tool used by its Sustainability Board to integrate sustainability into Novozymes' business functions and help guide corporate target-setting and strategy development.

SUSTAINABILITY GOVERNANCE

Novozymes' sustainability governance structure is considered a UNGC LEAD best practice. Sustainability practices are anchored, organized and integrated across the company through a Sustainability Board and a Corporate Sustainability department.

The Sustainability Board is a cross-functional senior management group that is responsible for the development and execution of Novozymes' sustainability strategy and targets. The Sustainability Board also plays a significant role in ensuring adherence to the UNGC principles.

Appointed by the Chairman of the Board of Directors, and approved by the Executive Leadership Team, the members of the Sustainability Board hail from corporate functions of particular importance in a sustainability context, including R&D, supply operations, marketing and finance. This structure drives the integration of sustainability across Novozymes as members bring insights from and support outreach to all major parts of the business value chain. In addition, two associated board members represent sustainability activities related to employees and Novozymes' regions, and participate in selected meetings as needed.

The Sustainability Board is chaired by the Head of Corporate Sustainability and typically meets once every two months to develop strategy and targets, and review performance.

The Corporate Sustainability department assists the Sustainability Board in the development, anchoring and implementation of Novozymes' corporate sustainability strategy. The department comprises specialists in the fields of social responsibility, human rights, ethics, environment and life cycle assessment. Novozymes also has regional Sustainability Managers in Brazil, China, India and the U.S.

Novozymes' sustainability performance is reported to the Executive Leadership Team and the Board of Directors on a quarterly basis, and selected sustainability issues are presented to the Board twice a year.

SUSTAINABILITY MATERIALITY ASSESSMENT

The sustainability materiality assessment is one of the key tools used by the Sustainability Board to identify trends and sustainability issues in the external environment that are relevant to Novozymes' business and stakeholders, and to seek deeper engagement with a diverse set of stakeholders across the value chain. Novozymes' sustainability materiality assessment facilitates systematic stakeholder engagement and dialogue with the stakeholders deemed most material to the company. The assessment also enables Novozymes to realize its ambition of being open and transparent.

Novozymes' sustainability materiality assessment is dynamic and continuously developing in order to serve a transformative function. The company welcomes feedback

from stakeholders to further enhance and strengthen its understanding of material issues.

Outside-in perspective

The outside-in perspective is the main source of input and inspiration for the design of Novozymes' sustainability materiality assessment and matrix.

The sustainability materiality assessment has been inspired by a review of academic research and key guidelines from thought leaders on the various approaches to conducting materiality analyses. Furthermore, it has integrated relevant findings from a benchmark analysis of the materiality assessment approaches among Novozymes' peers and customers.

In order to identify the key sustainability risks, opportunities and trends, Novozymes collected input via multiple engagement channels from its most important stakeholders. The company obtained input on the concerns of investors and customers through requests and questionnaires, and has established systematic assessments and an ongoing learning loop for the external feedback received. Novozymes enters into dialogue with NGOs and governments on an ad hoc basis, sharing sustainability practices and concerns and, in turn, gaining insights on the issues they deem important.

Furthermore, Novozymes has implemented a new process for sustainability trendspotting through a social media listening setup, which monitors sustainability news related to specific themes, selected industries, customers, suppliers and key power players on a weekly basis. Insights from trendspotting are compiled every month and reported to the Global Sustainability team.

Inside-out perspective

The inside-out perspective is the main source of context and is where Novozymes assesses the external trends and concerns in relation to the current or potential impact they have on the company. Impact is assessed on three criteria: business continuity, impact on brand/reputation and ability to make sizeable impact. Multiple internal stakeholders are engaged to make this evaluation and ensure proper assessment and anchoring of issues.

The Global Sustainability team engages with various functions within Novozymes to gain input for the assessment of issues. This engagement with functions is an important step as the dialogue with subject matter experts enables a mutual understanding of issues. In addition, the Risk Management team is involved in the assessment of issues via workshops at which issues collected from the Risk Management process and the outside-in perspective in the sustainability materiality assessment are compared and evaluated. The Corporate Strategy team is also involved in order to ensure alignment with corporate strategy and an awareness of stakeholder concerns for future direction. Finally, the Global Sustainability team presents the sustainability materiality matrix to the Sustainability Board for approval and anchoring.

Sustainability integration

The Sustainability Board relies on the sustainability materiality assessment to guide the integration of sustainability issues in the business, and provide recommendations for corporate target-setting and strategy development to the Executive Leadership Team. The Executive Leadership Team evaluates and endorses these recommendations for final approval by the Board of Directors.

Understanding the matrix

Novozymes' sustainability materiality assessment is represented graphically in a matrix that describes five characteristics of each sustainability issue assessed:

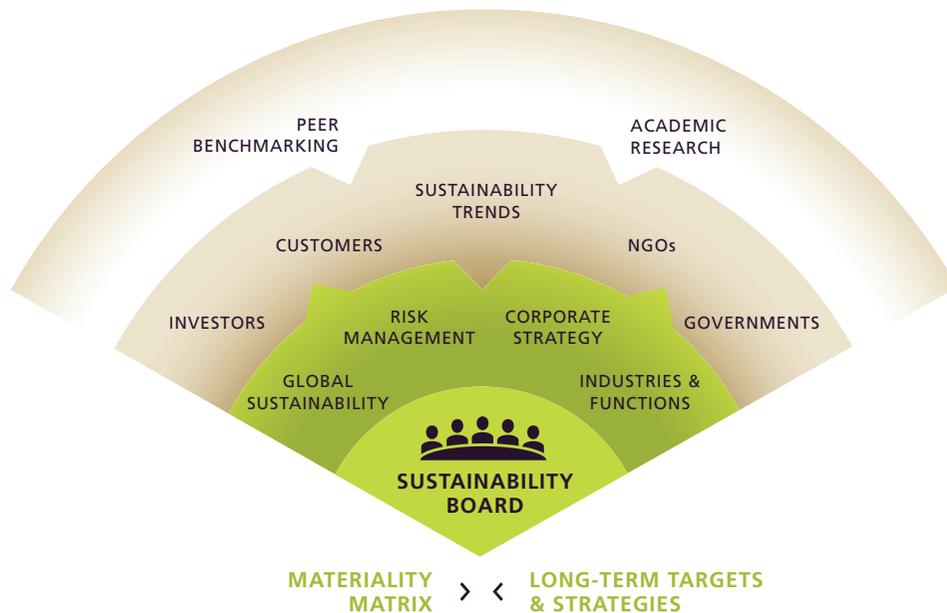
1. Impact on Novozymes – Represented on the X-axis, this dimension captures the sustainability trends that pose risks and opportunities for Novozymes. Issues placed to the right of the Materiality threshold line are considered significant enough for the company to take action.
2. Importance to stakeholders – Represented on the Y-axis, this dimension captures the frequency with which stakeholder groups raise sustainability issues and the importance they place on them.
3. Category of issue – Issues have been color-coded to represent whether they are economic, social, environmental or crosscutting.

4. Ability to control – It is important for stakeholders to understand Novozymes' ability to control specific sustainability issues. Issues over which Novozymes exercises a high level of control are represented by a filled-in icon, whereas issues that Novozymes has a low ability to control are represented by a hollow icon.
5. Areas of corporate focus – Issues marked with a star are corporate focus areas. Novozymes has relevant targets/flagship initiatives to address these.

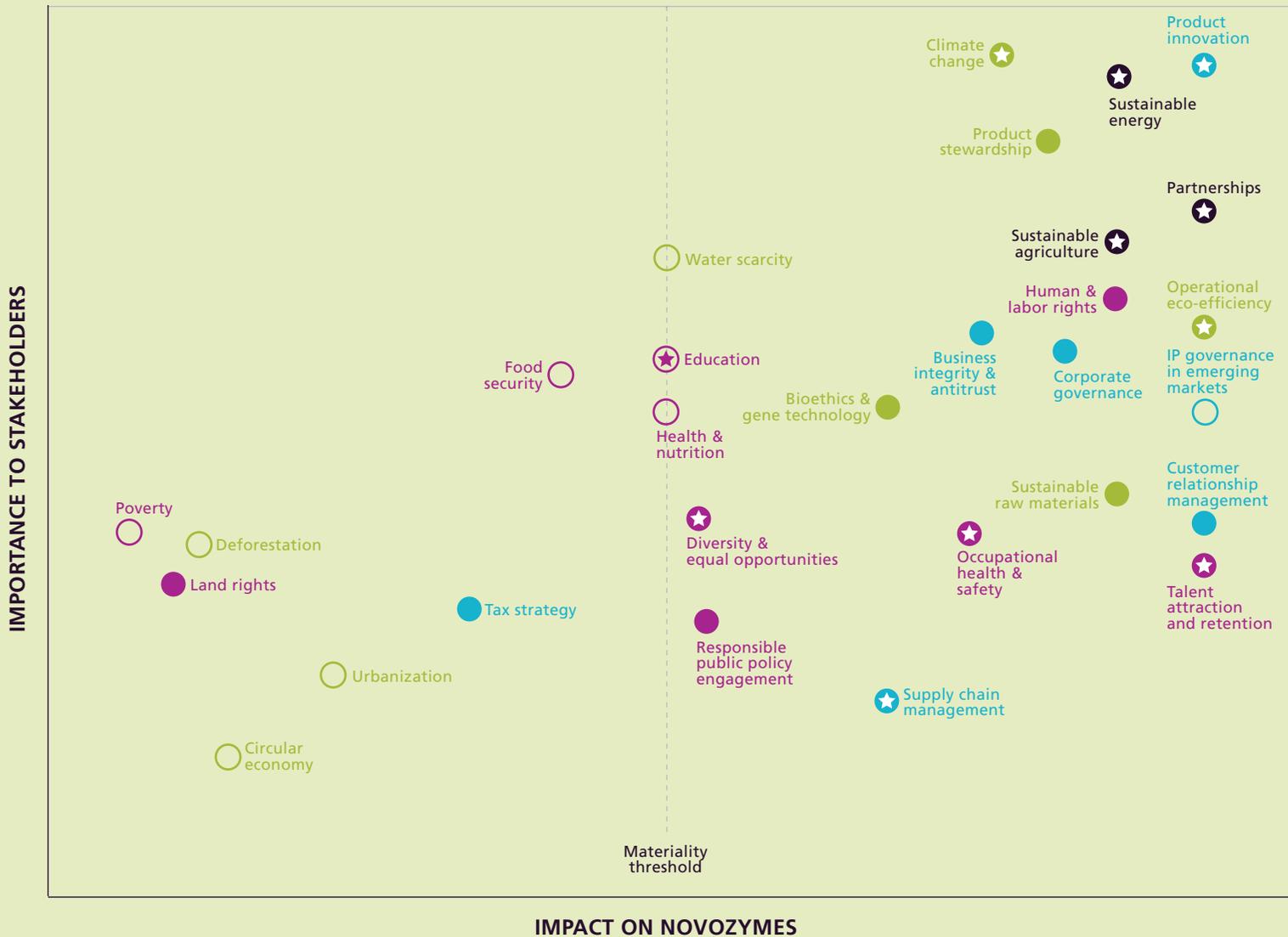
Key issue highlights

Novozymes' most material sustainability issues are placed in the top right-hand corner of the matrix. Six of them are described below:

- *Product innovation* continues to be one of the most material sustainability issues for Novozymes. Creating innovative and sustainable solutions for society is vital to its long-term success.
- *Climate change* mitigation is a top priority for Novozymes, as most of its solutions enable customers to lower their own carbon footprints.
- *Product stewardship* is essential to Novozymes as it encompasses environmental assessment across the entire product life cycle, minimizing the risk of potential harm to people and the environment.
- *Partnerships* have the potential to drive transformational change, and Novozymes leverages its key competency to build partnerships that drive the world toward sustainability.
- *Sustainable energy* is central to achieving global sustainable development. Novozymes engages with policymakers to position bioenergy technologies as part of the solution to climate change.
- *Sustainable agriculture* is an issue of growing interest to Novozymes, and is addressed through products to enhance biofertility, biocontrol and bioyield.



Novozymes' sustainability materiality matrix



ISSUE CATEGORY

- All
- Economic
- Social
- Environment

ABILITY TO CONTROL

- High control
- Low control

CORPORATE FOCUS AREAS

- ★ Targets/flagship initiatives

Stakeholder engagement

Understanding stakeholders and meeting their expectations is a priority for Novozymes. This section describes how Novozymes engages with stakeholders across the value chain.

ENGAGEMENT WITH COMMUNITIES

Novozymes actively supports initiatives that care for the local environment and the communities it works in. While Novozymes' corporate citizenship focuses on educational projects in the areas of science and environmental responsibility, the company occasionally engages in a wider range of local activities that create value and support its license to operate.

In Kalundborg, Denmark, Novozymes organizes annual neighbor meetings together with Novo Nordisk. The boards of neighborhood associations, representatives from the local authorities and the environmental agency participate in the event, which includes presentations on environmental initiatives from the Kalundborg site, social dialogue and a visit to one of the departments.

As part of a program to provide sustainable homes for underprivileged communities, volunteers from Novozymes Malaysia, in collaboration with the nongovernmental organization EPIC Homes, built a home for a local indigenous family of six in Bahasa, Malaysia.

In Canada, Novozymes donated raw denim to an Ottawa-based social enterprise that develops the skills of unemployed immigrant women. By supplying pallets of unused denim, the company supported the "Sewing for Jobs" initiative of EcoEquitable, which runs workshops and training sessions to bridge the gap between unemployed women and local markets.

For the fourth time, Novozymes also participated in the May Climate Race in Beijing, a bicycle event to support sustainable growth and a low-carbon lifestyle in China. The cyclists taking

part sought to highlight global climate issues and the benefits of green transportation in modern urban life.

ENGAGEMENT WITH SUPPLIERS

In 2014, Novozymes continued to engage with its suppliers to develop partnerships and promote a sustainable working environment. The Supplier Innovation Day 2014 was held for the first time in North America, where the company invited current and potential suppliers to co-create innovative solutions to some identified challenges. The predefined challenges in 2014 were within Chemicals and Packaging, where innovative solutions beneficial to both Novozymes and suppliers were identified. Initiatives are currently being materialized, and implementation is expected to take place in 2015.

In 2014, Novozymes expanded co-sourcing initiatives together with large global companies to include additional companies and new categories. Co-sourcing initiatives aim at generating considerable savings and supporting business growth through larger volume discounts from suppliers. They also bring transparency, better planning and greater flexibility to the supply chain processes in the organizations involved in the collaboration. Going forward, the initiative is expected to ensure product and supply availability while helping Novozymes connect with third-party suppliers, tapping into new sources of innovation. In 2014, Novozymes co-sourced a raw material together with a customer, resulting in costs saved and optimization of the supply chain.

Novozymes' Supplier Performance Management (SPM) program enables the company to systematically assess suppliers from both a risk and opportunity perspective.



Novozymes' innovative solutions are helping customers meet the growing sustainability demands from end consumers and retailers.

For 2014, Novozymes had set an ambitious target of 97.5% supplier adherence to the SPM program, which was surpassed, with 99% adherence. Going forward, the company will further develop the SPM program to promote even greater transparency and sustainability in the supply chain. In the coming years Novozymes will focus on sustainably sourced agricultural raw materials.

ENGAGEMENT WITH CUSTOMERS

Sustainability is increasingly important to Novozymes' customers as a result of emerging legislation, the increasing need for efficient raw material use in production, and growing sustainability demands from end consumers and retailers. Novozymes' innovative solutions allow customers to become more sustainable by enabling them to save water and other raw materials, reduce CO₂ or replace harsh chemicals. In order to continuously improve product offerings, Novozymes encourages customers to challenge and work together with the company on developing sustainable solutions that the world needs.

In 2014, Novozymes was recognized by several key customers for delivering innovative and sustainable solutions. Unilever presented Novozymes with a Partner to Win Award 2014 for its innovative liquid laundry solutions. Furthermore, the company received Henkel's Sustainability Award: Laundry & Home Care 2013 for solutions in hand-dishwashing. In

addition, Novozymes India won two distinguished awards in 2014: Proctor & Gamble's Special Recognition Award for proactive customer support and on-time deliveries, and recognition by Hindustan Unilever as its best supply partner in the Chemical division.

Novozymes hosted its 2nd Latin America Household Care Sustainability Summit in São Paulo, Brazil, in August 2014, with double the attendance of its first summit in the region. The summit featured presentations by leading companies from the region that highlighted how sustainability is fast becoming a mainstream issue in Latin America.

In China, Novozymes gained consumer visibility by engaging in a co-branding process with VANCL, one of China's major online clothing retailers, on a special-label denim collection. Branded as "Bio-washing jeans," the clothes come with a label describing how the jeans have been treated with a Novozymes biosolution that preserves the quality and ensures the durability of the denim.

Novozymes is exploring new ways of measuring customer satisfaction and has been running a pilot in 2014 with the aim of improving customer satisfaction measurement; this will be further developed in 2015.

In 2014, Novozymes continued to be transparent toward customers by providing information related to labor practices, human rights, environment, sustainable procurement and business integrity in multiple sustainability performance platforms where many customers have access to the information. These platforms include EcoVadis, EcoDesk and CDP Supply Chain. The company also continued to be a member of the Supplier Ethical Data Exchange (SEDEX) platform, which makes site-specific sustainability data and audit reports accessible to customers.

Engaging with UN Global Compact and other power players

This section describes Novozymes' progress in three aspects of the "Engaging with the UN Global Compact" dimension, that is, Local Networks and Subsidiary Engagement, Local Working Groups and Promotion of the UN Global Compact.

REGION-SPECIFIC ENGAGEMENT

Novozymes' regional subsidiaries are active members of UN Global Compact's local networks in Brazil, the U.S., China, India and the Nordic region.

Brazil

Novozymes is a member of the Global Compact Network Brazil and sits on the UNGC Communications Task Force, which defines strategies to raise awareness of corporate sustainability initiatives in Brazil. The company participates in the Anti-Corruption Committee, which supports local corporate initiatives against corruption. In October 2014, Novozymes attended the Launch of the Decade of Sustainable Energy for All Americas (SE4All Americas) in Chile.

In 2014, Novozymes Brazil established the Brazilian Association of Industrial Biotechnology (ABBI) together with its partners, including BASF, BioChemtex, BP, Dow, DSM and DuPont. ABBI is on a mission to promote Brazilian biotechnology and support the growth of cellulosic ethanol, biochemicals, agriculture and pharmaceuticals, etc. Its mandate is to work with the Brazilian government to create an effective regulatory environment for the sector, boost

competitiveness and R&D, and create an enabling environment for biotechnology in Brazil.

China

Novozymes is a board member of the UNGC China Network and actively engages with peers through various events and seminars. In September 2014, nominated by UNGC China Network, Novozymes participated in the Reporting 3.0 Kick-Off Roundtable. Participants discussed trends in sustainability reporting globally and in China, such as the rise of context-based sustainability targets.

The company also engaged with a number of other stakeholders in China during the year, most notably the International Finance Corporation (IFC). The IFC is implementing an industrial water-efficiency advisory program in China, starting with the textile sector. Novozymes serves as a biotechnology expert advisor to the program and has had several dialogues with the IFC on how biosolutions can support this program.

Novozymes continued its engagement with the Danish Footprint Network and shared its approach to sustainable supply chain management at an event held at the Danish Embassy in Beijing in June 2014. Responsible Supply Chain Management is one of the three main workstreams of the



Novozymes' biosolutions enable a low-carbon approach to economic development, which is becoming increasingly important to a rapidly urbanizing China.

Danish Footprint Network, which is a CSR knowledge-sharing network for Danish companies working in China.

In 2014, Novozymes further strengthened its engagement with The Sustainability Consortium (TSC) in China to deliver a training program for textile manufacturers. The company participated in four training seminars in Shanghai, Nanjing, Changshu and Suzhou, and contributed its best practices and sustainable solutions for textiles to the TSC workshop curriculum.

This was also a year of recognition for Novozymes China, which received an award for Best Environmental Performance in the 2014 Deloitte China Sustainability Awards. This was the first year that Deloitte China recognized corporate sustainability best practice in China, with the support of the United Nations Development Programme (UNDP).

In June 2014, China's National Development and Reform Commission (NDRC) selected Novozymes as the 2014 NDRC Annual Classic Case and Low-Carbon Model. Biosolutions, which enable a low-carbon approach to economic development, are becoming increasingly important to a rapidly urbanizing China. Novozymes is the only foreign enterprise to be recognized by the Chinese government for its low-carbon business model.

India

Novozymes is a member of the Global Compact Network India and actively engages with its peers in knowledge-sharing activities. In August 2014, Novozymes India hosted the Global Compact Network India's southern regional monthly networking meeting at its office in Bangalore. The theme of the event was Corporate Initiative Toward Environmental Footprint Reduction. It underscored the importance of life cycle assessments and documenting impact on climate change.

In 2014, together with the Global Compact Network India, Novozymes established the Sustainability Alliance Partners to take forward the UNGC Mandate on Sustainability in India. In September 2014, Novozymes was nominated as Convener and Lead of the Working Group, which will develop an actionable agenda and determine the group's key objectives. Through consultations, the company encouraged the group to focus on the three UNGC principles related to the environment in order to address the gap that exists in Indian corporate sustainability initiatives.

Beyond the UN Global Compact, Novozymes India has also been actively engaging with other key stakeholders, most notably the Confederation of Indian Industry (CII). In September 2014, the company participated in the CII Sustainability Summit and the CII Bio-Energy Mission, and engaged with the CII-Triveni Water Institute in New Delhi.

Nordic region

In 2014, Novozymes engaged in the UN Global Compact Nordic Network's strategy development process. The company also participated in a peer-review process of its UNGC Communication on Progress with two of its peers from Denmark, A.P. Møller - Mærsk and Novo Nordisk – both Global Compact LEAD members. This process took place in March 2014 and was facilitated by KPMG. Each participant received and provided feedback on each of the other's reports, commitments and practices.

Outside of the UNGC, Novozymes also embarked on an exciting new public-private collaboration called LAUNCH Nordic, which is primarily focused on creating breakthrough innovations to manufacture textiles and other materials in a more sustainable way. These innovations can be game-

changing new business models and technologies that can be scaled up in two years. Funded by the IKEA Group, Novozymes, Arla, Kvadrat and various Nordic government institutions, this initiative is an extension of the successful LAUNCH program founded by Nike, NASA, USAID and the U.S. State Department. For Novozymes, the initiative presents a platform for cross-fertilization of ideas and opportunities in various biobased solutions, especially in the textile sector.

North America

Novozymes is a member of the UN Global Compact Network USA and attended the UNGC U.S. Network Symposium in New York in November 2014. The theme of the event was Business and Climate Change: Strategies and Policies to Mitigate Risks and Capture Opportunities. Participants discussed climate policy, how to build effective collaborations to reduce impact and how to address risks in the supply chain.

During 2014, Novozymes North America also engaged with a number of other stakeholders in the U.S. on issues related to sustainability. As a founding member of The Sustainability Consortium (TSC), the company continues to participate in consultations, and support the development of TSC's documents and reporting systems to promote more sustainable products. Novozymes North America is also a member of Sustainable Brands, an organization committed to the idea of leveraging the power of brands to create more sustainable consumption.

Apart from these broad engagements, Novozymes North America also engages with industry-specific interest groups such as the Sustainable Apparel Coalition (SAC). The company has been working with SAC to promote the development and deployment of the Higgs Index, an indicator-based assessment tool for apparel and footwear products, as well as specific initiatives to improve the sustainability of garments through extended garment life and end-of-life management.

ISSUE-BASED AND SECTOR INITIATIVES

Caring for Climate

Novozymes recognizes that climate change is leading to an alarming rise in global temperatures and sea level. The company is committed to reducing greenhouse gas emissions and mitigating climate change. Novozymes has been a signatory to the UN Caring for Climate initiative since its launch in 2007.

At the UN Climate Summit held in New York in September 2014, Novozymes was recognized as a Carbon Pricing Champion for endorsing the Business Leadership Criteria for Carbon Pricing, developed by UNGC, UNEP, UNFCCC and other strategic partners. This commitment entails putting an internal price on carbon, engaging in responsible policy advocacy for an external price on carbon and communicating on progress.

Subsequently, Novozymes was invited to join the Caring for Climate Business and Investors Working Group on Carbon Pricing with leading corporate and investor practitioners, academia, civil society and the U.N. The Working Group's mandate is to drive leadership on carbon pricing and to encourage wider adoption of the business leadership criteria ahead of COP21 in Paris next year.

In December 2014, the company participated in the Caring for Climate Business Forum at COP20 in Lima, Peru, and engaged with experts on aligning with a new science-based approach to target-setting, currently being finalized by Caring for Climate, CDP, the World Resources Institute and the World Wildlife Fund. Once released, this approach will guide companies on setting targets to reduce corporate CO₂ emissions, in line with global targets to reduce greenhouse gas emissions that can limit global warming to below 2°C.

As momentum builds toward a global climate deal at COP21 in Paris, Novozymes will continue its strong engagement with Caring for Climate in 2015.

Green Industry Platform

To ensure sustainable economic development, the world needs to improve existing manufacturing processes and to create new green industries for the production of goods and services that meet the demands of a growing global

population. Led by the UN Industrial Development Organization (UNIDO) and the United Nations Environmental Program (UNEP), the Green Industry Platform (GIP) is a high-level, multistakeholder partnership and forum to catalyze, mobilize and mainstream action on green industry around the world.

Novozymes has been actively engaged with the UNIDO-UNEP GIP since its launch in 2012, when the company was invited to join the Advisory Board. Novozymes is uniquely positioned as an enabler of green industry, as its biosolutions help customers improve the resource and environmental efficiency of their industrial processes.

In 2014, Novozymes participated in the second meeting of the UNIDO-UNEP GIP's Advisory Board held in New York. At the meeting, partners discussed ways to engage stakeholders by showcasing industry best practices. Novozymes is currently exploring opportunities to collaborate with textile manufacturers on developing a best practice showcase and technical training program for the textile industry in Bangladesh. Given the significance of Bangladesh's textile industry globally, this initiative could have wider implications throughout the textile value chain.

Sustainable Energy for All

For a sustainable future, the world needs sustainable access to clean energy, which will promote economic growth, increase social equity and maintain a healthy environment. Sustainable Energy for All (SE4All) is a World Bank- and U.N.-led initiative that seeks to achieve this vision and transform the global energy sector. SE4All aims to ensure universal access to modern energy services, double the rate of improvement in energy efficiency and double the share of renewables in the global energy mix by 2030.

Novozymes recognizes the opportunity to have a significant impact on society and drive transformational change of the sector by partnering with other businesses, international institutions and civil society. Since 2013, the company has championed sustainable bioenergy within the SE4All initiative and recruited partners and like-minded stakeholders.

Global engagements

In 2014, Novozymes and its partners established the Sustainable Bioenergy High Impact Opportunity (HIO), a voluntary multistakeholder partnership that seeks to facilitate the development and deployment of sustainable bioenergy solutions in key sectors and industries where the environmental and socioeconomic benefits are greatest.

Novozymes successfully recruited the nine other founding partners of the HIO: Accenture Development Partnerships, Bloomberg New Energy Finance, Carbon War Room, International Energy Agency, International Union for the Conservation of Nature (IUCN), KLM Royal Dutch Airlines, Roundtable on Sustainable Biomaterials, UN Food and Agriculture Organization (FAO) and UN Foundation. These founding partners serve as the HIO Steering Committee, which is co-chaired by FAO and IUCN and held its first meeting on the margins of the 1st annual SE4All Forum in New York in June 2014.

At the 1st annual SE4All Forum, Novozymes organized and moderated a high-level expert panel discussion on removing the barriers to deploying sustainable bioenergy. In addition to serving on the HIO Steering Committee, Novozymes will sponsor the activities of the HIO Secretariat during 2015. Subsequently, the HIO Secretariat was invited to organize and lead similar panel discussions at various international and regional energy summits and events.

Looking ahead, the Sustainable Bioenergy HIO will be formally and publicly launched at the 2nd annual SE4All Summit to be held in New York in May 2015, as the first new public-private partnership to be wholly created under the auspices of the SE4ALL initiative. During the Summit, the HIO will coordinate and lead opportunities for practitioners to discuss the specific barriers to scaling up bioenergy production and use, the need for better policies, issues related to bioenergy finance and the need to ensure sustainability of feedstock production.

Regional engagements

The Inter-American Development Bank (IDB) is a key ally in the company's efforts to promote sustainable bioenergy. In early 2014, Novozymes signed a three-year agreement with IDB to support the development of advanced, sustainable



SUSTAINABLE ENERGY FOR ALL

bioenergy solutions in Latin America and the Caribbean in areas including clean cooking, waste to energy and advanced biofuels for transportation.

This partnership has already begun to initiate conversations across the region. In October 2014, Novozymes co-hosted a workshop with IDB, the Ministry of Energy in Mexico and the Airports and Auxiliary Services (ASA), with the support of the Danish Embassy in Mexico, to draw up an agenda for the development of advanced biofuels for Mexico's road transportation and aviation sectors. The workshop also served as a launch event for the Mexican Centre for Innovation in Bioenergy (CEMIE-Bio), which will be an important partner in promoting the development of biofuels in the country.

Transparency and disclosure

Novozymes shares information on its sustainability performance through a variety of platforms, ensuring transparency, accountability and responsibility in the way it does business. The company's commitment to drive and communicate sustainability has been recognized by a number of sustainability indices.

COMMITMENT TO SUSTAINABILITY REPORTING

Novozymes has a long history of sustainability reporting and transparency, and continues to be committed to reporting on financial, environmental and social performance in its integrated annual report. As a global company, Novozymes recognizes the importance of transparency, accountability and responsibility in its business practices. The company continues to engage with its stakeholders, and provides sustainability information through a variety of platforms and engagement channels.

As a result of its commitment to sustainability performance and reporting, in 2014 Novozymes received a prestigious jubilee award from the Danish Institute of State Authorized Public Accountants (FSR). This award was given to Novozymes for its history of integrated annual reporting and its longstanding efforts to integrate sustainability into its business strategy.

Novozymes also supports the Global Reporting Initiative's (GRI) framework for sustainability reporting. GRI reporting has been an integrated part of Novozymes' reporting platform since 2002 and is presented as part of The Novozymes Report 2014. The 2014 GRI indicators report is based on the G3 guidelines. In acknowledgement of the evolving landscape of sustainability reporting, Novozymes has begun assessing the G4 guidelines to understand the new requirements and reporting standard.

SUSTAINABILITY RECOGNITIONS

Novozymes values third-party recognitions of its sustainability performance and is honored to be included in a host of indices

that benchmark its performance against peers and competitors. Achieving sustainability recognitions gives credibility to its work, and Novozymes hopes this will inspire other companies to drive and improve sustainability performance. Some of these recognitions are listed below:

Dow Jones Sustainability Indices

Novozymes was awarded a Bronze Class rating by RobecoSAM in The Sustainability Yearbook 2015. Novozymes participated in a new and more competitive sector, the Chemicals Industry. Novozymes ranked in the top 3 percentile of sustainability leaders with top scores for several environmental criteria and best in class for the social dimension. For more information, see Governance performance in the Performance section.

Carbon Disclosure Project

For the first time, Novozymes was awarded a position on The A List: The CDP Climate Performance Leadership Index 2014 by the Carbon Disclosure Project (CDP). Furthermore, Novozymes was also awarded a position on the Nordic Climate Disclosure Leadership Index, becoming one of only two Nordic companies ever to achieve maximum scores for both performance and disclosure simultaneously. For more information, see Governance performance in the Performance section.

Business Green Leaders Award

Novozymes came second and was awarded a highly commended in the Company of the Year category at the Business Green Leaders Awards 2014. The Awards, in their fourth year, were more competitive than ever with over 260

entries, each one a demonstration of the green company's commitment to innovation and environmental responsibility.

FTSE4Good Index Series

Novozymes remains a constituent of the FTSE4Good Index Series. In 2014, Novozymes was in the top 2 percentile in the Biotechnology Supersector and was thereby selected as a constituent of the FTSE4Good Index Series. The FTSE ESG Ratings measure and benchmark the performance and risk of companies worldwide based on environmental, social and governance (ESG) practices.

For more sustainability recognitions, please visit www.novozymes.com.

COMMITMENT TO UNGC COMMUNICATION ON PROGRESS

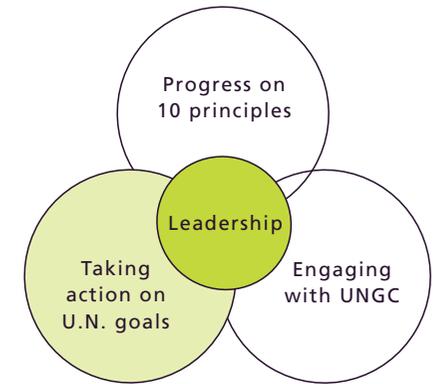
CoP archive

An archive of Novozymes' previous Communication on Progress (CoP) reports can be found on the UN Global Compact website, where its continuous development and progress in reporting are tracked.

Third-party opinion – peer review of the CoP

Novozymes is once again planning to engage in a CoP peer-review process facilitated by KPMG with the UNGC Nordic Network in 2015. This engagement provides the company with input, inspiration and constructive feedback for both its approach to sustainability and its reporting structure. The peer review will be uploaded to www.novozymes.com in April 2015.

Core business contributions to UN goals and issues



As a UNGC LEAD member, Novozymes is committed to having a positive impact on society by supporting broader United Nations goals and issues.

Novozymes believes that its biosolutions can address many of the global development challenges the world faces today. From 2015 onwards, Novozymes will be guided by a purpose that articulates how its business directly contributes to the new U.N. Sustainable Development Goals (SDGs). Novozymes' targets have been set to align its business strategy with the following U.N. SDGs:

DRAFT SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Through The BioAg Alliance, Novozymes is helping farmers adopt sustainable practices and build resilient agricultural value chains.

DRAFT SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Novozymes has set an impact target to educate 1 million people about the potential of biology from 2015 to 2020 by expanding its corporate citizenship outreach.

DRAFT SDG 6: Ensure availability and sustainable management of water and sanitation for all

At Novozymes, water is an important consideration in both product and process innovation. New products are assessed for their potential to positively impact many environmental parameters, including water pollution and water consumption. Internally, Novozymes has set a target to improve water efficiency in its operations by 25% in 2020, compared with a 2014 baseline, by optimizing production processes.

DRAFT SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all

In 2014, Novozymes led the formation of a Sustainable Bioenergy High Impact Opportunity within the U.N.-led Sustainable Energy for All initiative to facilitate the development and deployment of sustainable bioenergy solutions.

DRAFT SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Novozymes is an enabler of the green industry, as its biosolutions help customers improve the resource and environmental efficiency of their industrial processes. The company serves on the Advisory Board of the UNIDO-UNEP Green Industry Platform, and is currently exploring opportunities to develop best practice showcases for the textile industry in Bangladesh.

DRAFT SDG 12: Ensure sustainable consumption and production patterns

Novozymes' biosolutions can enable customers to produce more with less, and promote sustainable consumption and production patterns. The company also emphasizes sustainable production internally through its targets for operational eco-efficiency. Furthermore, sustainability is strongly integrated in its business, and the company is committed to being transparent about its efforts. Since 2002, Novozymes has published an integrated annual report that describes its performance on both financial, environmental and social parameters.

DRAFT SDG 13: Take urgent action to combat climate change and its impacts

One of Novozymes' impact targets is to save 100 million tons of CO₂ annually through customers applying its products by 2020. Additionally, Novozymes has adopted a target to reduce the CO₂ intensity of its operations by 25% in 2020, compared with a 2014 baseline. The company has been engaging with stakeholders to align with the new science-based approach promoted by UN Caring for Climate, once this is finalized.

DRAFT SDG 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development

Novozymes' corporate strategy is called Partnering for impact. The company recognizes the opportunity to drive transformational change and have a significant impact on society by partnering with other stakeholders. By 2020, Novozymes aspires to catalyze five high-impact, global partnerships with public and private organizations to create answers for a more sustainable world.

Strategic social investments

Novozymes' corporate citizenship program Citizymes is a platform for structured and focused engagement with local communities, future scientists and innovators. The company leverages its core competencies in science and environmental responsibility, while maintaining a forward-looking approach to ensure continuity and impact of its outreach activities.

Novozymes pursues strategic social investments that are closely linked to its core competencies in science, innovation and environmental responsibility.

SOCIAL VENTURE: NEWFIRE AFRICA

In 2014, Novozymes' pioneering clean cooking venture, NewFire Africa, filed for voluntary liquidation and sold the operations to a local Mozambican retailer.

Formerly known as CleanStar Mozambique, the company was founded in 2010 with the goal of creating an alternative to charcoal as cooking fuel for low-income households in Mozambique through an integrated food, energy and forest protection model. It has successfully deployed more than 33,000 cooking stoves and sold more than 1 million liters of NdZILO-branded ethanol-based cooking fuel to households in Greater Maputo, Mozambique.

The original business model was very ambitious and complex, stretching across the entire value chain – from food and energy production to processing and retailing of bioethanol. Despite a restructuring in 2013, the company was unable to achieve the scale and retail penetration required to make the venture viable, and continued to operate at a loss.

In June 2014, all three majority shareholders – Novozymes, the Investment Fund for Developing Countries (IFU) and the Soros Economic Development Fund – found that the business would be best served by a local owner with existing retailing volume and expertise, and took a joint decision to file for voluntary liquidation.

Creating innovative and pioneering businesses is not without significant challenges and risks. The shareholders regret that it was not possible to make the original business model profitable, but are proud of what was achieved. This experience with NewFire Africa has proved that there is consumer demand for ethanol-based cooking fuel as a cleaner and safer alternative to polluting and environmentally unsustainable charcoal in sub-Saharan Africa. Novozymes is happy to share the lessons learned from the experience and is currently exploring other opportunities for social investment.

CORPORATE CITIZENSHIP: CITIZYMES

In 2014, Novozymes continued to share its expertise with local communities worldwide through the Citizymes program, reaching more than 51,000 learners, compared with approximately 36,000 learners in 2013. This gives a total of approximately 123,000 learners reached since the start of the program in 2011.

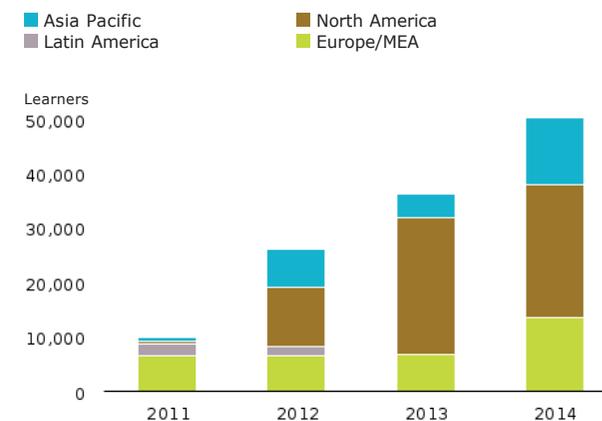
This year, the company advanced Citizymes partnerships with educational organizations across multiple regions. In China, two innovation contests – Enzymes Inspire Tomorrow and the Food Innovation Competition – brought together students from 17 leading Chinese universities. In 2014, Novozymes' China Citizymes projects were named Leading Graduate Program by the 21st Century Business Review at the 2nd Annual Sustainable Business-oriented CSR Awards & Summit. In India, Novozymes once again achieved extensive outreach through its annual public-speaking competition, Voice of Biotech, engaging students from 35 technical colleges.



Citizymes contributes to scientific understanding and creates greater awareness of environmental responsibility in the next generation of scientists and innovators.

In Canada, Novozymes continued to partner with the Saskatchewan-based organization Agriculture in the Classroom, delivering class content on plant growth and food production. In Denmark, the company supported the student organization Cirkus Naturligvis at Copenhagen University, enhancing science awareness and literacy among young

CITIZYMES: LEARNERS REACHED BY GEOGRAPHY



students through practical and fun activities. In the U.S., employees volunteered to work together with teachers in Franklin County schools to create an enzyme syllabus in line with the national curriculum. For the seventh consecutive year, the company delivered an undergraduate course on the latest enzyme technology and new product developments in food and beverages at the Weihenstephan-Triesdorf University of Applied Sciences in Germany.

Looking ahead

During 2014, Novozymes also laid the foundations for new Citizymes initiatives. In China, for instance, the company designed a new online professional training program for young workers in the textile industry in collaboration with the China National Textile & Apparel Council HR Centre, to be launched in early 2015. This initiative will provide young workers with access to professional development in the area of biotechnology, while promoting sustainable solutions for the national textile industry.

In India, the ambitions for 2015 include partnerships with universities and technical institutes to promote biotechnology and sustainability, and to initiate incubation centers focused on biotechnology applications. In 2014, the company designed a curriculum on applying enzyme technology and sustainability concepts in textile processing and trained textile technologists at the Advanced Academy for Development of Textile Technologists (AADTT). Novozymes is planning to expand on this initiative in 2015 and launch a Sustainability Excellence Certificate Course together with renowned textile institutes in India.

For the past two years, sustainability activities in Latin America have been carried by headquarters, resulting in less focus on specific local Citizymes projects. In 2015, a regional sustainability manager for Latin America is in place again, and the aim is to get back on track with strong local sustainability support. The company's primary focus in the region will be directed toward enhancement and reinstatement of the education project Biotechnology with Sustainability goes to School in Brazil.

Globally, Novozymes is enlarging the scope of its educational outreach in 2015 and building more activities around each corporate citizenship area.

Teaching the teacher

Several Citizymes projects focus on teacher development, recognizing the multiplier effect that passionate educators create. In collaboration with the Kenan Fellows Program, an initiative of the Kenan Institute for Engineering, Technology & Science at North Carolina State University, Novozymes hosted high-school teacher Chris England for a five-week fellowship in the R&D laboratory in Franklinton in the summer of 2014.

Chris England worked alongside Novozymes' scientists on a research project into the capture of CO₂ using enzymatic processes. His aim was to develop a curriculum that incorporates more lab practices and skills into his classroom. "With a project that is relevant, timely and relatable to students, I knew that I could create a curriculum project around my experience," says Chris England. The learning experience was mutual. "Hosting a local teacher in our labs has given us a good friend in the education community, who can be a strong ambassador for our technology and our company," says Arlan Peters, Head of Sustainability, North America region.

Advocacy and public policy engagement

Novozymes communicates in an open, consistent and credible manner, seeking dialogue with a wide range of stakeholders and ensuring transparency in its outreach.

Novozymes has developed a clear Communication Policy to guide how the company influences the public agenda and legislation to achieve its ambitions. Within national and international laws and policy guidelines, the company presents its positions to policymakers and other interested parties. Novozymes is committed to communicating in a respectful and credible way, and engaging its stakeholders in a constructive dialogue. The company listens to peers, industry partners, academics, NGOs, governmental and civil society stakeholders.

Novozymes has Public Affairs offices in Copenhagen, Brussels, Washington, D.C., Brasilia, New Delhi and Beijing. Employees are registered in lobby registers as legally required in the U.S. and in the voluntary register in Brussels. No registers exist in the other locations.

The company also actively participates in industry associations and stakeholder organizations, as well as in broader international and global business associations. A full list is available at www.novozymes.com.

In order to ensure transparency, Novozymes publishes corporate positions at www.novozymes.com and in its annual reports. The company lobbies within the areas of renewable energy and biotechnology, as well as to retain production jobs in Denmark.

LOBBYING EXPENDITURES

In 2014, Novozymes' external lobbying expenditures amounted to approximately DKK 3 million globally. Employee costs, travel, rental, monitoring expenses and similar are excluded.

The company paid roughly DKK 15 million in dues to trade and industry associations, multistakeholder alliances, research organizations and sponsorships.

Novozymes does not make contributions to political parties.

ENGAGING WITH POLICYMAKERS

There were a number of opportunities in 2014 for Novozymes to participate in key global summits and engage with thought leaders, policymakers and heads of state on topics related to sustainable energy, inclusive growth, the biobased economy, etc.

World Economic Forum at Davos, Switzerland

In February 2014, Novozymes President & CEO Peder Holk Nielsen participated in the World Economic Forum's Summit in Davos, Switzerland. The theme of the Summit was The Reshaping of the World, with global business leaders and top politicians meeting to discuss the global agenda for sustainable development. Peder Holk Nielsen participated in multiple sessions, workshops and panel debates, including a major session on New Visions for Agriculture, which focused on agricultural development to sustain a global population of 9 billion people.



Novozymes participates in key global summits and engages with thought leaders, policymakers and heads of state on topics related to sustainable energy, inclusive growth, the biobased economy, etc.

Business roundtable at the White House

In May 2014, Peder Holk Nielsen met U.S. President Barack Obama at a business roundtable at the White House. For Novozymes, this was a chance to share its concerns about the U.S. Environmental Protection Agency's (EPA) decision to reduce the mandates for ethanol and advanced biofuels in the Renewable Fuel Standard (RFS). Peder Holk Nielsen also raised the issue of worker training, and the need for an educated and skilled workforce to undertake R&D and production activity in the U.S.

G20 Summit in Brisbane, Australia

Novozymes is a member of the International Chamber of Commerce and the B20, which engages with G20 governments on behalf of the international business community. Peder Holk Nielsen is part of the ICC G20 CEO Advisory Group and was the only CEO of a Europe-based company to attend the G20 held in Brisbane in November 2014. He met with world leaders and highlighted the importance of addressing climate and sustainability issues at the same time as economic growth.

Partnerships and collective action

Throughout 2014, Novozymes engaged in partnerships and collective action with various stakeholders from the private sector, governments, civil society and academia on sustainable development challenges.

BIOBASED INDUSTRIES JOINT UNDERTAKING

In July 2014, the European Commissioner for Research, Innovation and Science launched the Biobased Industries Joint Undertaking (BBI JU). Through this partnership, €3.7 billion will be injected into the European economy between 2014 and 2024 to develop an emerging sector: biobased industries. This partnership focuses on bridging the gap from R&D to the market and creating linkages between sectors such as agriculture/agro-food, chemicals, energy, forestry/pulp & paper and technology providers.

Novozymes has played a key role in developing the BBI JU, mobilizing the industry, and engaging with EU institutions and stakeholders. With this move, the European Commission has sent a clear signal that it believes in Novozymes' vision of the biobased economy.

The partnership provides a great opportunity to kick-start the development of pre-competitive biorefineries, which will use Europe's biomass and food waste as feedstocks to make sustainable biobased chemicals, fuels and other materials. As much as €2.3 billion will go to first-of-a-kind commercial-scale biorefineries – so-called flagship projects. This is essential to substantiate the technical and commercial viability of new technologies to generate biobased products and fuels at an industrial scale.

WORLD BUSINESS COUNCIL ON SUSTAINABLE DEVELOPMENT

WBCSD remains a close partner for Novozymes. Novozymes is a member of the Core Group for the Action2020 initiative,

which provides a road map for how businesses can positively influence environmental and social trends while strengthening their own resilience to issues such as climate change, demographic dynamics and skills shortages.

In November 2014, Novozymes took part in the WBCSD Council Meeting in Atlanta, Georgia. The company participated actively in thematic discussions on climate and energy, sustainable lifestyles, water and social impact.

NEW VISION FOR AGRICULTURE INITIATIVE AT WORLD ECONOMIC FORUM

Novozymes has been actively engaged in the New Vision for Agriculture (NVA) initiative run by the World Economic Forum since 2012, together with its partner, Monsanto. The initiative brings together a diverse group of stakeholders from across the public and private sectors, and addresses a number of important challenges in the agricultural sector such as how to feed a growing population, develop resilient value chains and deliver economic opportunities to farmers in developing countries.

CLINTON GLOBAL INITIATIVE

Novozymes is an active participant in the Food Systems Track of the Clinton Global Initiative. This brings together the resources of major players to design approaches for empowering producers, building sustainable supply chains, and addressing the challenges of food security and hunger globally. Currently, Novozymes and other participants are encouraging the group to invite key third-party groups to participate in the process in order to generate more ideas and increased acceptance.

Elevating the global discussion on biofuels

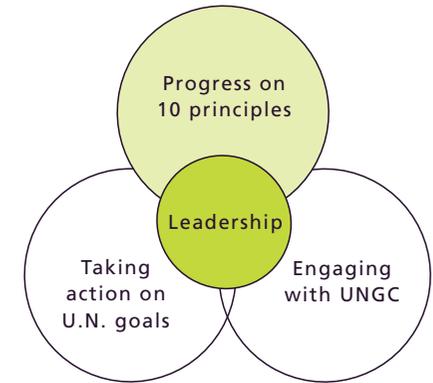
Novozymes supports the careful scientific and holistic evaluation of all relevant aspects of biofuel production and usage, including its relationship with food security. To contribute to a sound and scientific debate on this complex topic, the company collaborated with the International Food Policy Research Institute (IFPRI) to organize a high-level workshop on the interactions between food security and biofuels in Washington, D.C. in November 2014.

The workshop brought together roughly 60 experts and thought leaders, including experts from universities around the world, the UN Food and Agricultural Organization (FAO), the World Bank, the International Monetary Fund, the International Fund for Agricultural Development, the World Agroforestry Center and the U.S. Department of Energy.

An independent Scientific Committee identified the six thematic areas discussed, which included economic security and development, energy security, biofuels and food price volatility, and the consequences of inaction on climate change risks.

Participants recognized that biofuels pose both risks and opportunities in relation to food security, climate stabilization and economic development. However, there was general agreement that the risks of not realizing the potential of biofuels far outweigh the risks of further biofuels expansion seen in light of the potentially catastrophic climate change facing our society. Workshop findings will be synthesized and published in the scientific literature.

Overview: Integrating the 10 principles into business strategy



The table below provides an overview of Novozymes' commitment to all 10 UN Global Compact principles, and how the company implements them across its operations and value chain through a set of robust management policies and procedures available online at www.novozymes.com.

	Materiality & scope	Management & reporting	Commitment/membership
<p>HUMAN RIGHTS</p> <p>Principle 1: Businesses should support and respect internationally proclaimed human rights; and</p> <p>Principle 2: make sure that they are not complicit in human rights abuses.</p> <p>LABOR</p> <p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p>Principle 4: the elimination of all forms of forced and compulsory labor;</p> <p>Principle 5: the effective abolition of child labor; and</p> <p>Principle 6: the elimination of discrimination in respect of employment and occupation.</p>	<p>Novozyymes' dedication to addressing and advancing human rights and labor standards is embedded in its purpose, values and targets.</p> <p>As a responsible global organization, Novozymes is committed to protect human rights and labor standards. Its social minimum standards cover freedom of association, nondiscrimination, working hours, disciplinary measures, child labor and forced labor. Management practices are aligned with these minimum standards to ensure that global and local initiatives are mutually supportive.</p>	<p>Regional People & Organization and Sustainability Managers conduct annual self-assessments of minimum standards on labor & human rights.</p> <p>Regional Presidents own the minimum standard assessments and must approve the reports.</p> <p>Significant risks are reported to the Enterprise Risk Management system and the Executive Leadership Team.</p> <p>Follow-up on corrective actions is integrated in the audit system.</p> <p>The Board of Directors receives quarterly briefings on sustainability performance and key risks.</p>	<p>UN Universal Declaration of Human Rights</p> <p>UN Guiding Principles on Business and Human Rights</p> <p>ILO Declaration on Fundamental Principles and Rights at Work</p> <p>Danish Business Network for Human Rights</p> <p>Danish Ethical Trade Initiative</p> <p>Supplier Ethical Data Exchange (SEDEX)</p>
<p>ENVIRONMENT</p> <p>Principle 7: Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8: undertake initiatives to promote greater environmental responsibility; and</p>	<p>Novozyymes' purpose is "Together we find biological answers for better lives in a growing world – Let's rethink tomorrow."</p> <p>Novozyymes' biosolutions enable its customers to create more with less – by improving the efficiency of industrial processes, thereby</p>	<p>Regional Environmental Managers conduct annual internal reviews of environmental targets and legal compliance at local production sites.</p> <p>Novozyymes Environmental Forum is a global network of environmental managers that coordinates efforts on performance.</p>	<p>UN Convention on Biological Diversity</p> <p>UN Caring for Climate</p> <p>UNIDO Green Industry Platform</p>

<p>Principle 9: encourage the development and diffusion of environmentally friendly technologies.</p>	<p>Materiality & scope</p> <p>saving energy and raw materials, and reducing waste. Novozymes was a pioneer in the field of life cycle assessment and understands the environmental impacts of its products from cradle to grave.</p> <p>Management practices are aligned with the company's Sustainability Policy to ensure that global and local initiatives to promote environmental responsibility are mutually supportive. Novozymes is committed to preventing pollution and mitigating climate change by reducing CO₂ emissions in its own operations and value chain.</p>	<p>Management & reporting</p> <p>Corporate Environmental Services conducts annual environmental management reviews, covering global targets and significant compliance issues from all sites.</p> <p>Global audit panel conducts internal audits, and Bureau Veritas conducts external audits of all production facilities for ISO 14001 certification.</p> <p>The Sustainability Board develops the environmental performance and climate change strategy, which is then anchored with the Executive Leadership Team.</p> <p>The Executive Leadership Team receives quarterly updates on the status of environmental targets and significant compliance issues, and follows up on corrective actions implemented in the global environmental management systems.</p> <p>The Board of Directors receives quarterly briefings on sustainability performance and key risks.</p>	<p>Commitment/membership</p> <p>Sustainable Energy For All: Sustainable Bioenergy High Impact Opportunity</p> <p>The Sustainability Consortium</p> <p>World Business Council for Sustainable Development</p> <p>Danish Footprint Network</p>
<p>ANTI-CORRUPTION</p> <p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>Novozymes is committed to ensuring that its business practice is open and honest to protect the integrity of the company and of each employee. The company's dedication to addressing and advancing anti-corruption and business integrity aspects is embedded in its purpose, values and targets.</p> <p>Novozymes' business integrity rests on six fundamental principles that address bribes, facilitation payments, money laundering, protection money, excessive gifts, and political and charitable contributions. Management practices are aligned with these principles to ensure that global and local initiatives are mutually supportive. The antitrust policy is anchored in the general legal compliance program.</p>	<p>Business integrity concerns can be raised directly by internal or external personnel, through the Ombudsperson function or, confidentially, through the Whistleblower Hotline.</p> <p>Regional Finance Directors handle local business integrity concerns together with a legal counselor of choice or the general counsel.</p> <p>The Committee on Business Integrity (CBI) is the principal governance body and oversees annual training of employees globally.</p> <p>The Chief Financial Officer appoints members of the CBI and receives reports from it.</p> <p>The Executive Leadership Team receives reports of significant business integrity concerns.</p> <p>Follow-up on corrective actions is integrated in the audit system.</p> <p>The Board of Directors' Audit Committee evaluates material business integrity issues and reported fraud cases.</p>	<p>UN Convention against Corruption</p>

PROGRESS ON THE 10 PRINCIPLES

The table below provides an overview of Novozymes' commitment to all 10 UN Global Compact principles, and how the company implements them across its operations and value chain through a set of robust management policies and procedures available online at www.novozymes.com.

		POLICY					POSITION										
		Sustainability Policy	Quality & Product Safety Policy	People Policy	Finance & Legal Policy	Communication Policy	Business Integrity	Global Warming	Gene Technology	Biofuels	Tax Strategy	REACH	Labeling of Enzymes	Animal Testing	Diversity and equal opportunities	Human Rights & Labor Standards	Responsible Purchasing
HUMAN RIGHTS	Principle 1: Businesses should support and respect internationally proclaimed human rights; and	✓		✓											✓	✓	✓
	Principle 2: make sure that they are not complicit in human rights abuses.	✓		✓											✓	✓	✓
LABOR	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 labor;	✓		✓												✓	✓
	Principle 5: the effective abolition of child labor; and	✓		✓												✓	✓
	Principle 6: the elimination of discrimination in respect of employment and occupation.	✓		✓											✓	✓	✓
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.	✓	✓					✓	✓	✓		✓	✓				✓
ANTI-CORRUPTION	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	✓			✓	✓	✓				✓						✓

Human rights

Novozymes endorses the UN Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights. The company's minimum standards cover nondiscrimination, child labor, forced and compulsory labor, and fair labor practices. Human rights and labor standards are also part of its supplier performance management system.

PROGRESS IN 2014

In 2014, Novozymes remained committed to adhering to the UN Guiding Principles on Business and Human Rights, and to improving awareness and monitoring in all its regions. The company continued its annual human rights due diligence process, which has a dual purpose of creating awareness and assessing compliance with the company's minimum standards on labor and human rights globally. The human rights due diligence process is led by the People & Organization department in collaboration with regional Sustainability Managers, who are responsible for educating employees on company standards and the potential risks of human rights abuses.

One of the key highlights in 2014 was expanding the scope of the due diligence process to include more detailed information on human rights. The improvement in Novozymes' due diligence process was inspired by the company's participation in a human rights workshop hosted by Global CSR, a sustainability consulting firm, and through knowledge-sharing with peers. Furthermore, Novozymes sought to improve its global human rights compliance by implementing regional examples of human rights risks and prevention methods.

In 2014, the company continued to work on increasing awareness of its grievance mechanisms by training new employees and providing information on the intranet to all employees. These mechanisms consist of a third party-managed Whistleblower Hotline, available to employees and

external stakeholders, and a regional Ombudsperson function that was relaunched in 2013 and is available to employees. The regional Ombudspersons are well versed in the local language and culture.

CHALLENGES AND DILEMMAS

Diversity and equal opportunities are a top priority for Novozymes, and the company has developed a corporate position on this issue. Novozymes acknowledges that this issue spans the UN Global Compact principles for both human rights and labor rights. From a human rights perspective, the challenge related to diversity and equal opportunities is to ensure nondiscrimination and gender equality across a global workforce. It has proved challenging to achieve the same level of gender equality in some regions, and Novozymes continues to raise awareness and monitor this issue.

LOOKING AHEAD

In the year ahead, Novozymes will continue to improve its human rights due diligence process by developing an understanding of region-specific human rights trends, educating employees on the risks of human rights abuses and increasing awareness of grievance mechanisms. The company aims to emphasize issues identified through its materiality assessment in its human rights due diligence process, in order to mitigate the risks of human rights abuses. An example of such an issue is the land rights of communities, including the rights of indigenous peoples. Novozymes acknowledges the seriousness of this issue and is developing a proactive approach.

Novozymes' technology can help improve the lives of millions of diabetics worldwide

Over 300 million people worldwide have diabetes. People with type 2 diabetes often have to take drugs that stimulate the body's production of insulin and, until now, patients have had to control the disease using daily drug injections.

Novozymes' technology, VELTIS[®], has enabled GlaxoSmithKline to offer a new, once-weekly diabetes treatment. The technology extends the active drug life span and is based on albumin, a naturally occurring protein that can be found in human blood. Albumin works as a vehicle that transports the active drug ingredients around the body and increases the life span of the drug in the patient's system.

This technology has the potential to improve the well-being of patients significantly. In other words, if medicine can stay active in the body longer, patients can take lower doses, save money and potentially reduce side effects. Patients are also able to take a drug less frequently, which could have particular benefits for therapies that require injections.

Labor rights

Novozymes has a long-established commitment to supporting the United Nations Universal Declaration on Human Rights and the International Labour Organisation's declaration on Fundamental Principles and Rights at Work. Novozymes ensures equal rights and promotes diversity. Employment and promotions are based on merit without any discrimination, exclusion or preference.

PROGRESS IN 2014

Employee development was a key focus area for Novozymes in 2014, and there are a number of targets related to employee diversity, satisfaction and development. Nondiscrimination is one of the key drivers for employee engagement, loyalty and retention.

Internal collective bargaining committees

Novozymes recognizes and respects the right to form and join associations and to bargain collectively. The company makes appropriate arrangements to facilitate the fulfillment of these fundamental rights in countries with limited labor legislation. One example is that Novozymes has set up an internal committee in China to negotiate its Chinese employees' right to organize and bargain collectively. This provides a forum for employee representatives to discuss various issues with management.

Occupational health and safety

A new safety initiative, Lessons Learned Sharing (LLS), was rolled out in 2014. It aims to improve employees' safety by providing a platform for sharing health and safety-related experiences and ideas with colleagues across sites and functions. LLS was built as an add-on to the existing "Dare to Care" and "Stop and Think" safety campaigns, which remind employees to take care of themselves and each other in potentially risky situations.

The frequency of occupational accidents decreased by 29% from 2013 to 2014, with a record low of 1.7 per million working hours in 2014. The target of keeping the frequency

of occupational accidents below 3.0 per million working hours was thereby met, and a new and even more ambitious target for 2015 has been set.

Novozymes' health initiatives are designed to fit local needs and to improve employees' overall well-being. With an absence rate of 1.8% in 2014, the target of less than 3% was met. Examples of local health initiatives that have contributed to the decrease in absence rate and were rolled out in 2014 are described below.

FREQUENCY OF ACCIDENTS (per million working hours)

■ Realized frequency



Novozymes has rolled out a new platform for sharing health & safety-related experiences across its global production sites.

In Denmark, Novozymes rolled out an exercise campaign to create awareness of the importance of movement during the workday in order to improve health, reduce stress and enhance job satisfaction. In China, health checkups offered to employees were tailored to fit specific sites. In Brazil, Novozymes held a Health and Safety Week, where employees were trained in first aid, respiratory protection and healthy nutrition. The employees were also offered health checkups, fitness lessons and dental care. In the U.S., employees and their immediate family members were offered blood profile screening, which tests a person's general health. In addition, female employees were offered free onsite mammography screenings, making the checkups much more accessible and convenient. Novozymes continues to develop health awareness and training initiatives for its employees in all regions to improve their well-being.

Diversity and equal opportunities

Novozymes remains committed to the principles of diversity and equal opportunities, and acknowledges that this issue spans the UNGC principles for both human rights and labor rights. From a labor rights perspective, Novozymes seeks to ensure fair labor practices and has set targets for workplace development.

The company has adopted a proactive approach to developing a diverse workforce, and maintained a consistent focus on gaps identified in its diversity performance in 2014.

With 34% of new leaders being female in 2014, Novozymes met its target of ensuring that at least 30% of new leaders appointed were women. With 71% of new leaders in 2014 being of a nationality other than Danish, the company also met its target of at least 55% of new leaders appointed being of a nationality other than Danish.

Novozymes recognizes that a key driver in meeting the targets was its focus on developing leadership talent and initiating robust succession planning in the regions where it operates, first and foremost in India and China. Novozymes' Executive Leadership Team worked closely with the regional management teams to assess the leadership and talent pipelines, which led to the development of a strong and closely monitored development program for managers.

Satisfaction and motivation

All Novozymes' employees are encouraged to participate in the annual People's Opinion survey, which measures a number of workplace development indicators, including employee satisfaction and motivation. In 2014, employee satisfaction scored 77 out of 100 in the survey, meeting the set target of 75. Furthermore, by scoring 75 for opportunities for professional and personal development, the company achieved its target and improved on last year's score of 74.

A key contributor to Novozymes' success in 2014 was the increased attention given to development throughout the organization, and the support provided by the company's Organizational Development team. In 2014, the Organizational Development team launched the People Development Excellence Initiative to strengthen employee development practices, and provide employees with business-driven and relevant technical and personal development. The three pillars of the initiative are leadership behavior, learning culture, and systems and processes. Several significant outcomes were identified, such as building a stronger feedback culture, improving the quality and frequency of ongoing development dialogues between employees and leaders, and ensuring better alignment with the 70-20-10 model: on-the-job experience (70%), coaching and feedback (20%), and courses and training (10%).

Novozymes remains committed to nurturing a workplace environment conducive to development and growth. The company has learned that by consistently implementing development practices, it can achieve success.

In 2014, Novozymes' overall reputation score in the People's Opinion survey also increased compared with 2013. The company will continue to support its employees and strive to maintain its reputation as a great place to work.

CHALLENGES AND DILEMMAS

Novozymes strives to accomplish its diversity aspirations without compromising the principles of merit-based employment and promotions. The company has learned that the most effective way of dealing with this challenge is by tapping into its people potential and supporting employee development. However, the successful implementation of a learning culture demands time, ongoing reinforcement and follow-up.

With regard to occupational health and safety, Novozymes recognizes that it is essential to keep up the momentum gained in 2014. In order to maintain the low level of occupational accidents, the company needs to keep the same focus and management attention to safety. The exercise campaign in Denmark confirmed that short sessions of physical activity can be managed by employees during office hours, without negative impact on their productivity and performance. Based on these results, the company is considering expanding tailored health initiatives across different departments and regions.

LOOKING AHEAD

Novozymes will continue to broaden implementation of the People Development Excellence Initiative, ensuring follow-up and impact measurement. Specific talent acceleration programs are currently running in India and China, and other regions are likely to follow.

Building a learning culture at Novozymes

In 2014, the Supply Operations – Europe, Middle East and Africa (EMA) Department participated in the pilot phase of the People Development Powerhouse. The program was launched successfully among the operational staff at Kalundborg, Denmark, where workshops were conducted with all site managers and employees.

“Our operational leaders find the Powerhouse transparent, logical, practical and easy to understand, as it provides them with valuable tools they can start using from the very first day,” says Line Sandberg, Vice President of EMA Operations Management.

“The most challenging element of the program is the development of a learning culture, as it requires a major shift away from a firefighting business approach toward learning reflections and long-term solution thinking,” she adds. The Powerhouse has initiated behavioral change, as managers and employees are becoming more open to giving and receiving structured feedback, and now understand the importance of working on Individual Development Planning (IDP) with concrete development actions. The Powerhouse concurs with the Lean culture and provides relevant, on-the-job learning.

Environment

In anticipation of future constraints and challenges related to the environment, Novozymes adopts a precautionary approach and is committed to minimizing the environmental footprint of its operations, as well as those of its customers.

PROGRESS IN 2014

With growing constraints on global ecosystems, Novozymes is dedicated to optimizing its operations year on year, so as to reduce the consumption of natural resources and mitigate the negative environmental impact of its production processes.

Climate change impact

Novozymes' biosolutions help mitigate climate change impact, as they typically offer customers reduced CO₂ emissions due to higher quality, lower costs and improved environmental performance compared with conventional technologies. In 2014, Novozymes estimated that its customers avoided 60 million tons of CO₂ emissions by applying its products, the equivalent of taking approximately 25 million cars off the road. This is an increase of 8 million tons compared with 2013, and the improvement was driven primarily by increased sales and performance of its solutions for biofuels, household care and textiles.

For 10 years, Novozymes has conducted peer-reviewed life cycle assessment (LCA) studies to document the environmental impact of its biosolutions, and develop specific claims for its customers. In 2014, the company conducted a comprehensive study (including an LCA and a consumer survey) to better understand and document how Novozymes' patented biopolishing solutions can improve the quality and extend the lifetime of cotton clothing by up to 20%. By using Novozymes' biopolishing solutions, customers gain branding and premium-pricing opportunities, fewer garments go to waste and resource efficiency increases throughout the entire garment production chain. The study documents that

these biopolishing solutions could potentially be applied in 40% of the world's annual cotton production and result in savings of approximately 24 million tons of CO₂ emissions and 27 billion m³ of water. It will be published in 2015.

This cradle-to-grave view also guides decision-making in its R&D pipeline. In 2014, Novozymes expanded the scope of its screening to cover a broader range of environmental and social parameters. This New Product Development LCA assesses the potential of a solution to positively or negatively impact greenhouse gas emissions, water pollution, energy and water consumption, agricultural raw materials and land use, chemical consumption, waste generation, human health and the working environment.

Operational eco-efficiency

In 2014, Novozymes' focus was primarily on further optimizing its operations and addressing challenges from previous years.

In 2014, Novozymes improved its CO₂ efficiency to 56% compared with a 2005 baseline, surpassing its target of 50%. Over the past five years, the company has improved its CO₂ efficiency by 18 percentage points. This achievement has been driven largely by two levers: improving energy efficiency and increased sourcing of renewable energy.

Novozymes' energy efficiency improved by 43% in 2014, surpassing the target of 42% compared with a 2005 baseline. This improvement was driven by continuous process optimization and the implementation of 56 energy-saving projects at its global production sites. It has also led to a reduction in the company's energy costs.



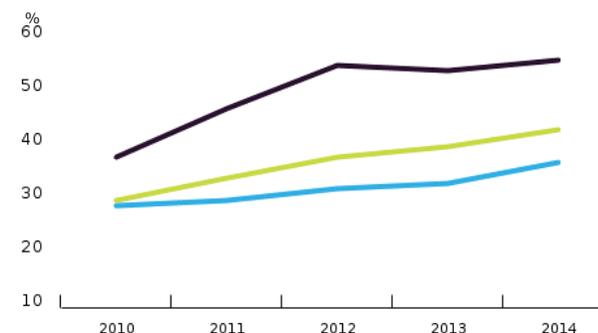
Novozymes' biosolutions enable customers in the biofuel industry to reduce their greenhouse gas emissions and mitigate their climate change impact.

In 2014, Novozymes obtained 23% of its total energy supply from renewable sources – most notably the Horns Rev II wind farm in Denmark.

The company improved its water efficiency by 37% in 2014, compared with 2005, surpassing its target by 3 percentage points. Novozymes successfully established local task forces to

EFFICIENCY IMPROVEMENT COMPARED WITH 2005

■ Water efficiency improvement
■ Energy efficiency improvement
■ CO₂ efficiency improvement



propose improvements for water management in all its production sites. The company addressed one of its challenges from 2013 by resolving a leakage from underground pipes at one of its facilities in China. In North America, Novozymes' engineers successfully developed a new way to map water usage in production, which resulted in a reduction of almost 15% with no additional investment.

The waste and by-products from Novozymes' production consists of nonhazardous solid waste, hazardous waste and biomass. The company seeks to reduce the amount of waste and by-products that it sends for landfill or incineration, and finds ways to recover some value either by reusing or recycling. Not only does this reduce the costs associated with waste treatment, it also minimizes Novozymes' environmental footprint.

For solid waste, the rate of recovery was 45% in 2014. Novozymes has made significant progress by focusing on recycling at its production sites. Additionally, the company has implemented several projects to reduce the amount of solid waste sent for landfill or incineration by its customers, including creating optimal packaging solutions, shifting to larger package sizes and reducing the amount of packaging material per volume of product. For biomass, the rate of

recovery was 98% in 2014. This is because Novozymes is able to convert and sell its biomass to farmers as NovoGro®, an organic agricultural fertilizer.

CHALLENGES AND DILEMMAS

Novozymes continued to work on optimizing its biogas reactor in Kalundborg, Denmark, to bring it up to full capacity. The biogas reactor utilizes wastewater from both Novo Nordisk's and Novozymes' production plants to generate energy. When operating at full capacity, the reactor will reduce costs and CO₂ emissions by approximately 10,000 tons annually for each of the partners.

LOOKING AHEAD

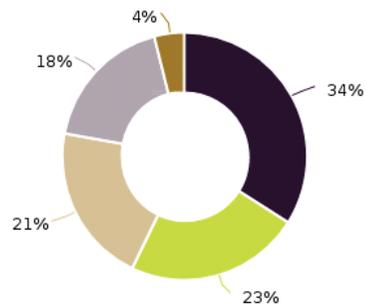
To achieve its operational eco-efficiency targets, Novozymes will continue to focus on process optimization and innovation. The company will launch an extensive heat recovery project at its production site in Kalundborg, Denmark, in 2015, by using excess heat from the fermentation process to replace central heating used for other production processes. Additionally, Novozymes is currently conducting field trials to secure approval to sell biomass as NovoGro® from its production site in Nebraska to neighboring farmers.

NOVOZYMES' ENERGY BY SOURCE

Electricity (conventional)
 Electricity from renewable sources

Steam
 Fuels

Heat



Anti-corruption

Novozymes seeks appropriate measures to work against all forms of corruption, including extortion and bribery. The company's dedication to addressing and advancing anti-corruption and business integrity aspects is embedded in its corporate values and policies.

PROGRESS IN 2014

To advance employee awareness and understanding of business integrity principles, Novozymes carried out a number of training and communication activities in 2014. The company conducted a new global e-learning module on business integrity principles. This module addressed the primary risks and provided guidance on relevant ethical dilemmas through differentiated case studies, based on real-life examples and contextualized to specific business functions. In 2014, the completion rate of employee business integrity training through e-learning reached 94%, compared with 84% in 2013.

In addition, Novozymes conducted local and targeted seminars on anti-corruption and business ethics at all major sites, in cooperation with the regional finance departments. The new and updated edition of the booklet *Bribery – No thanks!* is available in five languages and has been distributed to employees worldwide.

Questions related to business integrity are included in the annual People's Opinion survey, and the heat maps generated by the responses in the People's Opinion survey enable managers to provide better guidance and proactively address areas of concern across the organization.

CHALLENGES AND DILEMMAS

The Ombudsperson function and the Whistleblower Hotline were relaunched in 2013, with a focus on increasing awareness and improving usability, both for employees and external stakeholders.

During 2014, Novozymes observed unchanging trends in the number of cases reported through these channels. While the steady figures are testament to a strong corporate culture based on ethics and trust, the company acknowledges the need to continue increasing the awareness of these grievance channels by means of ongoing promotion.

LOOKING AHEAD

Novozymes will continue working toward increased visibility and accessibility of the grievance platforms, ensuring anonymity and confidentiality, and not tolerating retaliation or retribution against a reporting employee.

The company also aims to develop a more systematic approach to business integrity training that will improve its responsiveness to impromptu requests by offering training modules and sessions tailored to specific departments and business situations.

BUSINESS INTEGRITY TRAINING FOR EMPLOYEES

