



# The Novozymes Report 2015

A scenic view of a beach with a pier, people walking, and a town in the background. The pier is a long wooden structure with several concrete pillars supporting it. A car is visible on the pier. In the foreground, a family is walking along the water's edge. A man in a white shirt is crouching down, possibly interacting with a child. The background shows a town built on a hillside with many houses and trees. The word "Sustainability" is overlaid in large, bold, yellow-green letters across the center of the image.

# Sustainability

# UNGC Communication on Progress 2015

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# Taking the long view

**2015 was a momentous year for sustainability. As we celebrate 15 years of the UN Global Compact, Novozymes' dedication to advancing sustainability is stronger than ever.**

In 2000, the United Nations launched the UN Global Compact as a platform to challenge the private sector to change the way we do business, and to advance corporate sustainability. It called on businesses everywhere to deliver long-term value in financial, social, environmental and ethical terms.

As we celebrate 15 years of the Global Compact, I am proud of our long journey together. Novozymes became a signatory to the Global Compact and its Ten Principles in 2001. It was an easy decision for us, as sustainability is deeply entrenched in our genes. For Novozymes, sustainability is about taking the long view, while building on one of the fastest-moving technology bases in the world. We believe that the license for long-term action must be earned with short-term performance.

Over time, Novozymes became one of the pioneering companies to join the Global Compact LEAD forum. We actively support and engage with various UN thematic working groups and Global Compact regional networks in Brazil, China, India, North America and the Nordic region.

## Sustainable development for all

At the UN General Assembly in New York in September 2015, Novozymes joined the rest of the world in welcoming the new UN Sustainable Development Goals (SDGs). These 17 goals reflect the fundamental challenges, such as poverty and climate change, that the world must overcome to grow sustainably and equitably. Over the next 15 years, countries are expected to use these goals to frame policies, allocate financing and drive changes that will help build a fairer and more sustainable world – for all.

Novozyymes was among the first to align with the SDGs. Our groundbreaking biotechnological solutions can provide answers to a number of global development challenges. For Novozymes, the goals provide a framework to guide decisions, manage risks and unlock future business opportunities.

By leveraging our decade-long experience with life cycle assessments, we are pioneering new methodologies to conduct SDG impact assessments. We will use these methodologies to systematically evaluate our pipeline of technology, business model innovations and partnership opportunities in terms of their potential contribution to the SDGs. Going forward we will use this information to prioritize our pipeline for maximum possible impact.

## Rallying for climate change action

2015 was also a pivotal year for the global movement on climate change. I congratulate the world leaders who have shown the courage to reach a historic agreement at the UN Climate Change Conference (COP21) in Paris. It sends a clear signal to businesses, investors and markets that the world must move toward a low-carbon future.

Novozyymes demonstrated strong leadership in the run-up to COP21. We called for an agreement to limit global temperature rise and move toward a level playing field on energy costs by adopting stable carbon-pricing mechanisms. At the UN General Assembly, we represented the private sector and reiterated our position that carbon emissions need to carry a cost that alters behaviors and incentivizes investment in solutions.



Looking ahead, we will support the implementation of the agreement and national action plans. We will continue to support the Lima-Paris Action Agenda by building partnerships to scale up the development and diffusion of low-carbon and energy-efficient solutions, especially for low-carbon fuels and climate-smart agriculture.

## Partnering for impact

Novozyymes' corporate purpose is "Together we find biological answers for better lives in a growing world." To help tackle the world's challenges, we need to collaborate with governments, civil society and other businesses. This is the foundation of our business strategy: Partnering for Impact.

The 2030 development agenda will put the world on a path toward a more sustainable, viable, low-carbon future. The SDGs will provide a platform for new partnership opportunities, and we look forward to another successful 15 years of collaboration with the UN Global Compact.

Peder Holk Nielsen  
President & CEO

# Governance structure & strategy

**Novozymes' purpose, strategy and long-term targets, which were introduced in early 2015, integrate sustainability at the very core of our business, making it a key component of business strategies and management processes.**

## Sustainability governance

At Novozymes, sustainability is governed by our Board of Directors and Executive Leadership Team. Sustainability activities and targets are anchored and executed across Novozymes' functions and operations.

### Board of Directors

Our Board of Directors is responsible for ensuring the most effective management and organizational structure in Novozymes and has the mandate to decide on the strategic direction of the company. Together with the Executive Leadership Team, the Board has worked to develop our purpose and our strategy through 2020, and to set the new long-term targets. The Board is also responsible for overseeing that the Executive Leadership Team delivers on financial, social and environmental performance. As sustainability is such an integral part of Novozymes' strategic direction, the Board is involved in sustainability oversight and is responsible for ensuring adherence to the UNGC Principles. We see this as a best-practice approach to sustainability governance.

### Executive Leadership Team

The Executive Leadership Team (ExLT) is responsible for overseeing strategy execution and defining Novozymes' ambitions. Sustainability performance is a high priority for Novozymes and is therefore included in the ExLT's stock-based incentive programs alongside financial performance indicators.

### Senior management

Our sustainability targets are owned and managed by vice presidents of the relevant functions and executed across Novozymes. Senior management develops and executes initiatives and activities to support Novozymes' purpose, strategy and long-term targets. Furthermore, senior management ensures that sustainability activities contribute to business priorities and respond to trends and issues.

Incentive programs incorporating sustainability performance are also part of senior management's remuneration. In 2014, we launched Group-wide employee stock option programs for all employees, incentivizing sustainability performance throughout Novozymes.

### Corporate Sustainability department

Corporate Sustainability is part of the Business Development organization, working closely with Corporate Strategy, Public Affairs, Portfolio Management and Project Management in the Corporate Development function. Corporate Sustainability is responsible for guiding our definition and execution of the sustainability agenda, and for driving a number of sustainability-related activity areas. For example, the Sustainability department works with Novozymes' industries to enable sustainability-driven marketing, sales and business development. Life cycle assessments are performed to document the sustainability aspects of our solutions. Sustainability trendspotting, and stakeholder and materiality analyses are used to identify improvement areas. Furthermore, progress, achievements and challenges are reported in a transparent manner. Regional sustainability



agendas are driven by the regional heads of Sustainability located in China, India, North America and Latin America.

## Materiality

Since 2012, we have conducted annual assessments to identify issues that are material to the long-term sustainability of our business. The insights from this systematic process inform our long-term strategy and sharpen our sustainability reporting. Learn more in Market trends in The Novozymes Report 2015.

### Understanding the process

In 2015, we conducted a value chain assessment for the first time. We also improved our stakeholder engagement across all five steps of our materiality process. The five-step process consists of:

1. **Identifying** global macro trends through diverse trendspotting exercises and relying on sources such as the SDG Compass
2. **Prioritizing** issues into three tiers with input from internal stakeholders (representatives from Corporate Sustainability, Corporate Strategy, Risk Management, Public Affairs and all our regions)
3. **Validating** our assumptions by receiving feedback on our list of material issues, directly from selected external stakeholders (four investors, one supplier and two key partners)
4. **Recalibrating** our materiality matrix and assessing the significance of Tier 1 issues along our value chain, incorporating any stakeholder concerns
5. **Disclosing** our management approach to Tier 1 and 2 material issues publically

# Materiality

## Novozymes' materiality matrix

This illustration is a snapshot of the upper-right quadrant of our materiality matrix and depicts the issues most material to our business.

The issues identified here pose significant risks and/or opportunities for Novozymes and are considered the most important by our stakeholders. Each issue has been defined and mapped to relevant UN Sustainable Development Goals and GRI categories.

To ensure transparency, we also disclose information on certain issues that are less material (secondary material issues) that are not depicted here. Learn more in our GRI Supplementary section.

### Key insights sharpen focus

Novozymes' materiality assessment has reinforced our focus on innovation and partnering for impact.

As the world sees growing constraints on natural resources and pushes for stronger environmental protection, our products can help our customers produce more with less. Our biological solutions can help address some significant global challenges, such as climate change, and improve agricultural productivity.

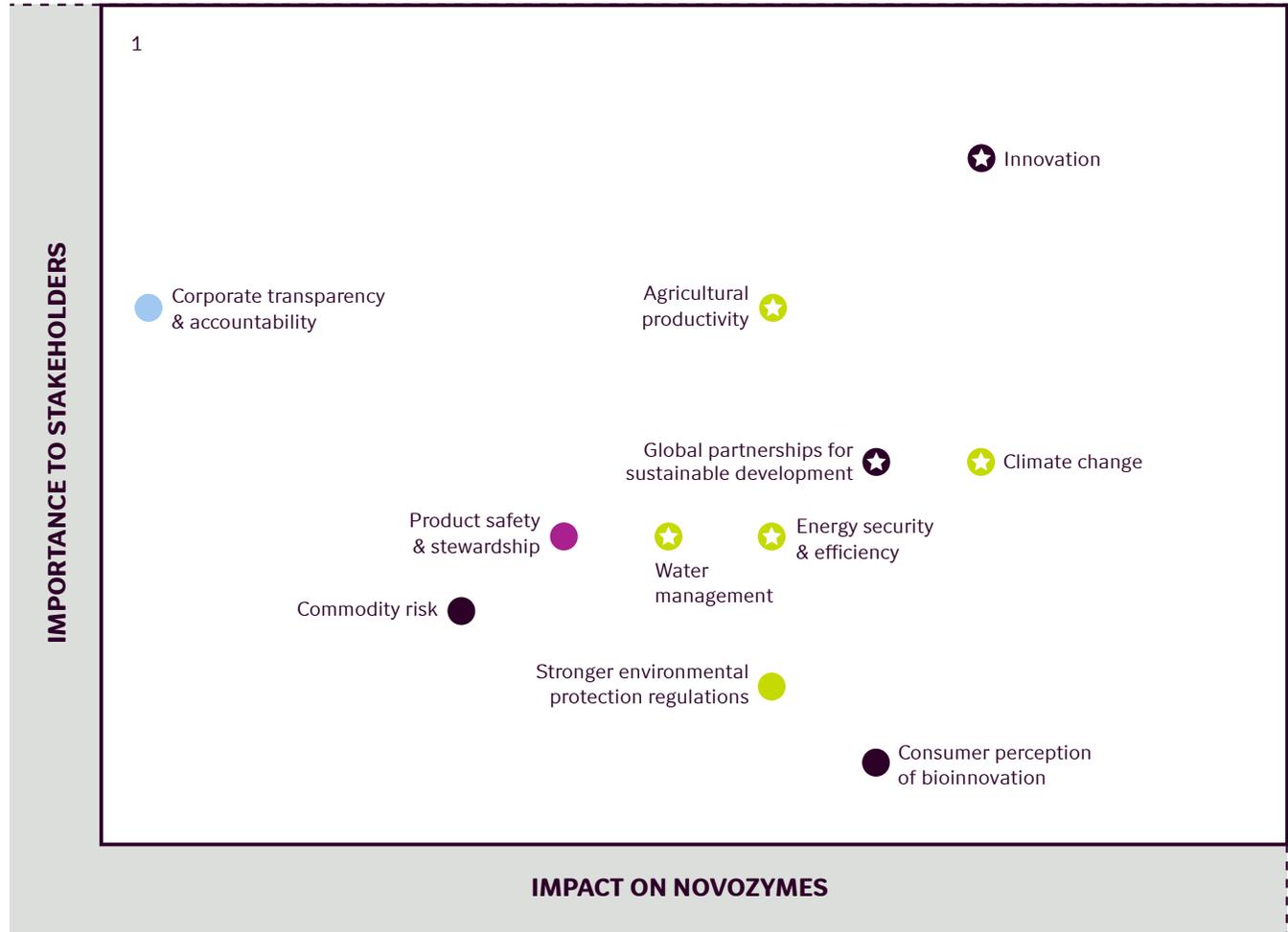
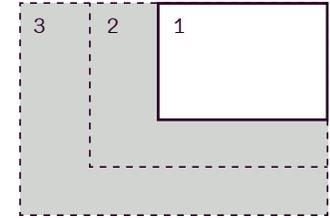
However, to leverage these opportunities, we need to remain transparent and accountable, and ensure that society understands the true potential of bioinnovation.

### Issue category

- Economic
- Environmental
- Governance
- Social

### Corporate focus areas

- ★ Targets/flagship initiatives



## Value chain assessment

Each Tier 1 material issue is assessed for significance along our value chain. We consider three frames of reference for each issue:

**Upstream**, which looks at our supply chain, including farmers, agricultural processing companies, chemical manufacturers and utilities.

**Novozymes**, which looks at all global production facilities over which we have operational control.

**Downstream**, which includes our customers, retailers and end consumers.

Material issue	Upstream	Novozymes	Downstream
<b>Innovation</b> Developing novel products and optimizing processes to meet global challenges is a key driver for growth.		We aim to lead innovation by launching new products and optimizing our production.	Our biosolutions enable our customers to develop more efficient products that meet consumer needs.
<b>Global partnerships for sustainable development</b> Multisectoral collaboration is necessary to drive the achievement of the 2030 development agenda.		Our strategy is about partnering with others to drive transformational change for sustainable development.	We work closely with our customers to co-create solutions that can help them succeed.
<b>Agricultural productivity</b> Greater and sustainable agricultural output is needed to meet the needs of a growing global population.	For farmers and agrobusinesses, increasing agricultural productivity is the most important issue.	Securing the supply of our agriculture-based raw materials is vital for our production.	Through The BioAg Alliance, we offer biological solutions to enhance crop yields for farmers.
<b>Climate change</b> The world urgently needs to reduce GHG emissions to drive climate change mitigation and adaptation.	Our agrobusiness suppliers focus on adaptation, while our energy suppliers focus on mitigation.	We are committed to lowering the CO <sub>2</sub> intensity of our own operations.	Our SAVE target highlights how we enable our customers to lower their own carbon footprints.
<b>Energy security and efficiency</b> Access to affordable, reliable, renewable energy and efficient energy use will support sustainable growth.	Energy suppliers are under pressure to increase generation of energy from renewable sources.	Our operations are energy-intensive, and we have targets for efficiency and sourcing renewables.	Our solutions for biofuels can support the development of a low-carbon economy.
<b>Water management</b> The world needs to ensure efficient water withdrawal, use and disposal to address water scarcity risks.	Many of our suppliers of agricultural raw materials have water-intensive operations.	We have targets for improving water efficiency in our own production processes.	We offer solutions that help customers lower water consumption and treat wastewater.
<b>Product safety and stewardship</b> Companies must mitigate and manage their products' adverse human health and environmental impacts.		We are committed to producing high-quality, sustainable biosolutions that are safe in handling and use.	Many of our biosolutions serve as ingredients in consumer goods, and product safety is a key priority.
<b>Commodity risk</b> Companies face resource constraints, raw material price volatility and strong calls for sustainable sourcing.	For many of our suppliers, growing constraints on agricultural yield and fossil fuels affect their productivity.	We are committed to responsible sourcing, with sustainability targets for energy and agricultural inputs.	Our biosolutions provide customers alternatives to fossil-based products and reduce commodity volatility.
<b>Stronger environmental protection regulations</b> Governments need to address the challenges of growing pollution in industrial and urban areas.	We seek to ensure that our suppliers are in compliance with local environmental regulations.	Novozymes ensures compliance with local environmental regulations and meets customer expectations.	As our customers comply with stronger regulations, this can drive demand for our biosolutions.
<b>Consumer perception of bioinnovation</b> Public acceptance of biosolutions and gene technology is vital to the success of the bioeconomy.		As a responsible bioinnovator, we engage with stakeholders on the societal benefits of our technology.	Consumer acceptance of safety and sustainability benefits of biosolutions and GMO can impact demand.
<b>Corporate transparency &amp; accountability</b> Increasing scrutiny on companies for issues such as anticorruption, antitrust, policy engagement, business integrity, etc.	Our suppliers are expected to adhere to our requirements for good governance and accountability.	We strive to be transparent in our disclosure and commit to adhering to fair business practices.	Our customers must ensure transparency in their supply chains to respond to a growing focus on responsible consumerism.

# Stakeholder engagement

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

## Engagement with customers

Sustainability is becoming increasingly important to our customers because of emerging legislation, the increasing need for efficient raw material use in production, and growing sustainability demands from end consumers and retailers. Our innovative solutions allow customers to become more sustainable by enabling them to save water and other raw materials, reduce CO<sub>2</sub> or replace harsh chemicals. In order to continuously improve our product offerings, we encourage our customers to collaborate with us on developing sustainable solutions that the world needs.

In 2015, Novozymes launched Avantec® Amp, an advanced enzyme product that improves yield and throughput in corn ethanol production. Avantec® Amp can increase corn oil extraction and significantly reduce the need for several harsh chemicals used in our customers' ethanol production. See Novozymes at a glance in The Novozymes Report 2015 for a list of product launches in 2015.

Novozymes also made progress in 2015 in terms of engaging with regional customers. We were awarded the Golden Award of Best Partners by the Chinese detergent powerhouse Liby at their annual quality management conference, among a group of almost 200 suppliers.

In India, we co-organized an event on Sustainable Solutions in the Food Industry together with the Protein Foods and Nutrition Development Association of India. Over 130 participants from the private sector, academia and NGOs came together to discuss biological solutions and partnership opportunities to tackle challenges such as food

insecurity, malnutrition, extensive use of agrochemicals in agriculture and outmoded production technologies.

Novozymes continues to be transparent toward customers by disclosing information related to labor practices, human rights, environment, sustainable procurement and business integrity. This disclosure occurs either in the form of responses to specific questionnaires or via multiple sustainability performance platforms, where many customers have access to the information. One of these platforms is EcoVadis, where we achieved gold recognition level and were placed among the top 5% of performers in 2015. Other platforms include EcoDesk, CDP Supply Chain and the Supplier Ethical Data Exchange (SEDEX) platform, which makes site-specific sustainability data and audit reports accessible to customers.



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

## Engagement with suppliers

In 2015, we continued to work with our suppliers to develop new partnerships and promote a sustainable working environment. We once again hosted a Supplier Innovation Day in Bagsvaerd, Denmark, giving suppliers the opportunity to present their solutions to a predefined challenge at Novozymes. "Dewatering of wastewater" in Novozymes' production was the theme of the day, with suppliers invited to present their solutions to our staff and management. This enabled us to identify innovative technological solutions and engage with a range of potential future suppliers.

Since 2009, Novozymes has systematically assessed suppliers from both a risk and opportunity perspective through the supplier program for responsible sourcing. The program evaluates suppliers based on their commercial, quality and sustainability performance, and it focuses on high-risk suppliers. In 2015, overall adherence to the supplier program was 100%, which is above our target of 96.5%.

In 2015, we increased responsible sourcing efforts to include specific measures to combat net deforestation in the supply chain. All of our suppliers of directly sourced agricultural raw materials shared either their policy against deforestation or signed a commitment letter stating that the materials they supply to us do not contribute to further net deforestation.

Furthermore, in 2015 we updated our Supplier Guidelines, which are communicated to all new suppliers. The new version includes criteria related to quality, environment, employee health and safety, human and labor rights, business ethics and supply chain management. The major additions were expectations regarding no-net deforestation and zero tolerance for land grabbing. Moving forward, the Supplier Guidelines will be appended to new contracts in the form of a legally binding set of requirements.

# Engaging with the UN Global Compact

**This section describes our progress on three aspects of the “Engaging with the UN Global Compact” dimension, namely 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 the UN Global Compact’s local networks in Brazil, the U.S., China, India and the Nordic region. We also describe other engagements and achievements by our regional affiliates that are not related to the UN Global Compact.

### Brazil

Novozymes is a member of the Global Compact Network Brazil. We actively participate in two working groups: Food and Agriculture, and Climate and Energy. One of the key highlights of 2015 was the launch of the *Climate and Energy Working Group* magazine. This publication, which was presented at COP21, featured articles on the SDGs, mitigation and adaptation, carbon pricing, energy efficiency and renewable energy sourcing. Globally, the group is aligned with the UN Caring for Climate platform. In 2015, it sought to engage local companies on how to support Brazil’s climate commitments and leverage low-carbon business opportunities.

We continued to actively support the Brazilian Association of Industrial Biotechnology (ABBI) in 2015 and participated in a number of thematic groups. We engaged with policymakers on regulations related to biodiversity: sustainable use, intellectual property rights and protection, and access and benefits sharing. We also hosted a visit by the Brazilian Industry Confederation (CNI) and the Brazilian Network of Biodiversity and Forests in September 2015.

Another key engagement in 2015 was with the Brazilian Association of Cleaning Industry and Related Products (ABIPLA). Together we collaborated with the São Paulo State Government to launch a magazine concerning industrial best practices for saving water in the household care segment.

### China

Novozymes played an active role in identifying and planning key priorities for 2015 for the Global Compact Network China. We participated in local network meetings for the CEO Water Mandate and the Caring for Climate Business Leadership Criteria on Carbon Pricing. In July 2015, we were recognized with a Top 10 Green Technology Award at the China Summit on Caring for Climate. This award highlights the potential of our biosolutions to reduce GHG emissions from industrial processing and to promote bioenergy as a substitute for fossil fuels in China.

In terms of other sustainability engagements, Novozymes China participated in the Industrial Leaders’ Forum roundtable at the Shanghai Water Expo, co-hosted by the CDP and the International Finance Corporation. We continued our dialogue with the Alliance for Water Stewardship China on industrial water efficiency in a broader scope in China. Moving forward, we will proactively involve more partners from across the value chain and coordinate efforts in the area of sustainable water management.

In September 2015, we attended the Sustainability Lifestyle workshop organized by the China Business Council for Sustainable Development (CBCSD), one of the key events for this global workstream. By participating in this initiative, we are sharing our experience in green product design and supporting cross-sectoral initiatives to drive changes in consumer behavior.



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

### India

In 2015, we strengthened our engagement with the Global Compact Network India. Novozymes was a key partner in the 10th National Convention on Sustainability in India 2015 and Beyond. At the convention, the Global Compact Network India launched a report sponsored by Novozymes, entitled “Sustainability Practices: Perspectives and Initiatives from Leading Indian and Global Companies.” The report compiled case studies of innovative sustainability initiatives from companies operating in India to facilitate knowledge sharing within the local network.

We retained our role as convener of the Sustainability Alliance Partners platform, which promotes the environmental principles of the UN Global Compact. The group supported two research projects related to access to energy and sustainable energy for the agricultural sector, conducted by the Indian Ministry for New and Renewable Energy. We also served on the regional jury for a national

award supported by the Global Compact Network, recognizing grassroots NGOs and individual social innovators.

In April 2015, we also participated in the Biofuels Roundtable 2015, organized by the Confederation of Indian Industries (CII), a high-level event with key government officials and thought leaders. The discussions were constructive, and revolved around the major challenge of reducing carbon emissions and the government's efforts to encourage the development and adoption of biofuels for road and rail transport – the latter being particularly relevant in India.

#### USA

We continued to support the efforts of the Global Compact Network USA under its new leadership. We participated in the local network's meeting on Leadership in Carbon Pricing: COP21 and Beyond.

Apart from this, Novozymes is a founding member of The Sustainability Consortium (TSC), initiated by WalMart. In 2015, we supported TSC's efforts to partner with the American Cleaning Institute on a consumer campaign in the U.S. to promote cold-water washing.

In October 2015, we highlighted the potential of microbes to America's top innovators, investors and designers at the SXSW Eco Conference. We presented our microbial technology and how it offers a more sustainable route to feeding a growing world population.

#### Nordic region

Novozymes is active in the Global Compact Nordic Network. We were invited to share lessons learned from aligning our corporate strategy with the Sustainable Development Goals, and to provide input to the SDG Compass guidelines. Additionally, as with the other regions, we participated in a local network meeting on carbon pricing.

In August 2015, we also participated in a peer-review process of our UN Global Compact Communication on Progress. We received and provided feedback to two of our peer Global Compact LEAD members from Denmark – A.P. Møller - Mærsk and Novo Nordisk – and a Global Compact member from the Netherlands: Royal DSM.

Additionally, we continued our engagement with LAUNCH Nordic, a global innovation platform focused on sustainable production and materials. In April 2015, innovators were invited to submit solutions for new types of materials or new uses of materials to increase sustainability in production and recycling. As a core member, Novozymes plays a key role in screening, selecting and helping to scale high-impact innovations.

### Issue-based and sector initiatives

#### Caring for Climate

2015 was a historic year for climate change action. Novozymes demonstrated strong support for the UN Caring for Climate initiative in the run-up to COP21. Over the course of the year, we released our new corporate position on COP21 and climate change action, which among other issues called upon governments to reach an agreement in Paris to limit global temperature increases to 2°C above pre-industrial levels.

Our position also articulated our strong support for stable carbon pricing, which we believe is the most cost-effective and flexible tool to limit global temperature rise. In September 2014, Novozymes endorsed the UN Global Compact Business Leadership Criteria for Carbon Pricing at the UN Climate Summit in New York. Since then, we have already taken action on all three criteria:

- 1. Set an internal price for carbon high enough to materially affect investment decisions to drive down greenhouse gas emissions:**  
We are committed to setting an internal price on carbon that will help guide us as we further decarbonize our own operations and prepare for a future where external carbon pricing becomes the norm. Moving forward, our investment portfolio for operational eco-efficiency will consider an additional shadow price for the carbon emissions from our own operations and from the energy we buy. This will ensure a sharper focus on energy efficiency, especially in our Asia-Pacific and North American operations.
- 2. Publicly advocate the importance of carbon pricing through policy mechanisms that take into account country-specific economies and policy contexts:**

## Novozymes' CEO's perspectives on the Paris Agreement

“Business cannot succeed in a world that fails; with the Paris Agreement, global politicians have finally signaled their intent to move our planet toward a low-carbon future. Our politicians have shown courage to reach this agreement – now we must all be courageous to ensure that the enabling technologies behind low-carbon solutions are taken forward.

It will of course take some time for everyone to fully digest all the implications of Paris – even for a business like Novozymes that has been engaged with climate issues for many years. But the signals are clear: political intent to move the world toward a low-carbon future, and backing for the private sector's crucial role in tackling climate change to see opportunities in – and establish solutions to enable – a low-carbon world.”

There is a clear opportunity for business to partner and drive forward innovative low-carbon and energy-efficient solutions, which will fit very well with the DNA of Novozymes – a company that is all about using biological innovation to allow for more efficient industrial processes, using fewer chemicals, less water, less energy.”

Peder Holk Nielsen

CEO & President of Novozymes  
December 12, 2015

We have publically supported the call for carbon pricing through our engagements with various UN agencies as described below and other international business organizations such as the ICC and USCIB. We believe that carbon pricing must be underpinned by effective legislative or market-based mechanisms that are based on national circumstances to create stability.

As one of the first few companies to endorse the criteria, we became a member of the Caring for Climate Business & Investors Working Group. The working group seeks to mobilize other companies to align with the Leadership Criteria, contribute to regional dialogues hosted by various Global Compact Local Networks and deepen the business case for carbon pricing.

In September 2015, Novozymes' CEO, Peder Holk Nielsen, was the only business leader invited to address the UN General Assembly on the topic of climate change. As a representative of the global private sector, Peder Holk Nielsen reiterated that carbon needs to carry a cost that alters our behaviors, and should be priced so that it guides our decisions and incentivizes the right solutions.

### 3. **Communicate on progress over time on the two criteria above in public corporate reports:**

We are committed to reporting on our progress in meeting the business leadership criteria through various channels, such as our integrated annual report and our disclosure to the CDP platform.

On the road to Paris, Novozymes highlighted the role of business and bioinnovation in the low-carbon economy of the future. In May 2015, we participated in the various working meetings at the Business and Climate Summit, which was the main preparatory event for business and industry ahead of the COP21 summit itself. At COP21, our delegation was led by CEO Peder Holk Nielsen, and we participated in several events, including the UN Caring for Climate Business Forum.

#### Sustainable Energy for All

Novozymes' Partnering for Impact strategy has reinforced our strong support for the Sustainable Energy for All initiative (SE4All). Led by the World Bank and the United Nations,

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.

In May 2015, the Sustainable Bioenergy High Impact Opportunity was officially instituted at the 2<sup>nd</sup> Annual SE4All Forum. Known as the Sustainable Bioenergy Group (SBG), this partnership is co-chaired by the UN Food and Agricultural Organization and the Roundtable on Sustainable Biofuels. Novozymes is a founding member and sponsors the SBG Secretariat. We played an instrumental role in recruiting members for the Steering Committee and getting this partnership off the ground.

The SBG aims to identify opportunities and deliver sustainable solutions for bioenergy, with a focus on emerging markets and rural communities in developing countries. Its key objectives are to support knowledge enhancement, information sharing, policy development and technology deployment.

One of the main focus areas of SE4All is scaling up finance for sustainable energy investments. The SBG convened a side event on Sustainable Bioenergy Finance at the SE4All Forum in May 2015, which was well attended. Moving forward, the group will explore its understanding of financing instruments for sustainable bioenergy projects, such as energy from municipal solid waste and biorefineries, and seek to facilitate collaborations with project developers, feedstock providers and financiers.

At the SE4All Forum, the SBG collaborated with the Global Alliance for Clean Cookstoves to host an event on clean cooking fuels. This led to a deeper engagement with governments, private sector entities and NGOs on opportunities to promote biogas and biomass gasification for energy access across West Africa.

The SBG also worked to strengthen the relationship with the International Civil Aviation Organization to promote sustainable aviation biofuels in Latin America and the Caribbean.

In September 2015, UN Deputy Secretary-General Jan Eliasson recognized the efforts of Novozymes and the SBG

as an example of the kind of strong partnership the world needs to drive progress toward the UN Sustainable Development Goals, specifically SDG 7. This recognition was enhanced in October 2015 when key partners at the Low Carbon Technology Partnerships initiative (LCTPi), one of the official flagship initiatives of the Lima-Paris Action Agenda for COP21, articulated their support for the SBG to serve as the lead international platform for multistakeholder collaboration on low-carbon fuels. Novozymes played a key role in ensuring this alignment of international organizations. We were one of the first companies to align with the UN Sustainable Development Goals and have been deeply engaged with the Low Carbon Fuels workstream under the LCTPi.

As a result, Novozymes and the SBG were well represented at COP21 on the Lima-Paris Action Agenda Energy Day. Post-COP21, the SBG will continue to raise awareness and facilitate partnerships to support the deployment of low-carbon fuels to help individual countries decarbonize their transport sectors and deliver on emission reduction targets.



*Novozymes is partnering for impact to support the deployment of low-carbon fuels to help countries decarbonize their transport sectors and deliver on emission reduction targets.*

# Transparency and disclosure

**We are committed to integrating sustainability in our core business and believe in sharing our sustainability performance in the most transparent, accountable and responsible way. We communicate through a wide array of platforms, and this has been acknowledged by various sustainability indices, awards and recognitions.**

## Commitment to sustainability reporting

Novozymes has a long history of sustainability reporting and transparency. We continue to report our sustainability performance in our integrated annual report. In 2015, we received a high ranking of A- in the third-party assessment of our integrated reporting by ReportWatch, which is an annual survey for report monitoring, scanning, scoring and rating. Using thorough research and an internal rating panel of reporting specialists, this survey of best practice for annual reports is known as the most comprehensive global survey of annual reports.

We support the Global Reporting Initiative's (GRI) framework for sustainability reporting. GRI reporting has been an integrated part of our reporting platform since 2002 and is presented as part of The Novozymes Report 2015 Supplementary section. For our 2015 reporting, as we ramp up our competencies in the GRI G4 framework, we have adopted an approach that is inspired by the GRI G4 guidelines. In future, we will strive to further improve our reporting competencies using the G4 guidelines as a yardstick for measuring our sustainability performance.

## Sustainability recognitions

We view third-party assessments of our sustainability performance as a way to be constantly challenged and inspired by the outside world. We are honored to be included in a host of indices that benchmark our performance against peers and competitors. Achieving sustainability recognitions

gives credibility to our aspiration to demonstrate sustainability leadership. Some of these recognitions are listed below.



*We are committed to integrating sustainability in our core business and believe in sharing our sustainability performance in the most transparent, accountable and responsible way.*

## Dow Jones Sustainability Index

Novozymes earned a record score of 90 out of 100 from RobecoSAM in 2015. The increase in score from 2014, when we scored 86, can be attributed to the dedicated work to improve our business practices. These improvements were inspired by best practices learned from RobecoSAM and peers in the high-performing Chemicals Industry.

RobecoSAM scores companies on three dimensions: economic, environmental and social. In 2015, we were once again recognized as best in class in the social dimension, and received top scores for half of the environmental criteria. Major score improvements were achieved in the economic dimension. We will continue to work on improving our sustainability practices toward our 2020 target of receiving a Gold Class rating from RobecoSAM.

## CDP (formerly Carbon Disclosure Project)

In 2015, CDP recognized Novozymes for our leadership on climate change action. With a maximum disclosure score of 100, we retained our position at the top of the Nordic Carbon Disclosure Leadership Index for the second year in a row. With a performance grade of A-, we were not included in CDP's A List, as our 2014 CO<sub>2</sub> emission reduction fell just short of CDP's threshold. Our response was especially recognized for its clear support for the climate deal at COP21 in Paris in December 2015. We will strive to maintain our high performance in CDP in the coming years.

## BusinessGreen Technology Awards 2015

In 2015, we received BusinessGreen's prestigious award in the Best Bio-technology of the Year category for Novozymes Eversa<sup>®</sup>, an enzyme that converts waste oil to biodiesel. The award was judged by an expert jury of 11 leading figures in the field of environment and technology, who said in their testimonial that "Novozymes has a long-standing and hugely impressive track record in the field of green biotech innovation. Eversa<sup>®</sup> has the ability to drastically reduce the cost and enhance the efficiency of biodiesel production processes, delivering a raft of environmental savings in the process."

For more information on our sustainability recognitions, please visit [www.novozymes.com](http://www.novozymes.com).

## **Commitment to UNGC Communication on Progress**

We remain committed to reporting our performance on UNGC's Ten Principles on human rights, labor rights, environment and anti-corruption through the UNGC Communication on Progress (COP). An archive of our previous COP reports can be found on the UN Global Compact website, where our continuous development and progress in reporting is tracked.

### **COP peer review**

In August 2015, we participated in a COP peer review process for the third time with peers from the UNGC Nordic Network: A.P. Møller - Mærsk and Novo Nordisk – both Global Compact LEAD members. For the first time, a peer from outside the Nordic region also participated: Royal DSM, which has been an active member of the UNGC since 2007. The group shared perspectives on better practices and challenges related to the Ten Principles of responsible business conduct. For more information on the feedback received, please visit Peer review – UNGC Communication on Progress 2014 at [www.novozymes.com](http://www.novozymes.com).

Moving forward, Novozymes will continue to engage in future peer reviews of COP to gain further insights into better reporting practices. The 2015 review will be available on our website by the end of August 2016.

# 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' biosolutions can address many of the global development challenges the world faces today. Since January 2015, we have been guided by a purpose statement that articulates our commitment to delivering on the post-2015 Development Agenda. It states, "Together we find biological answers for better lives in a growing world." Our purpose, strategy and long-term goals are well aligned with the UN SDGs.

<p><b>Goal 2.</b> End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p>	<p>Agricultural productivity and food security are increasingly important for our stakeholders and Novozymes. Our solutions help to build resilient agricultural value chains, increase crop yields and reduce raw material inputs. Through The BioAg Alliance, we are helping farmers adopt sustainable practices and build resilient agricultural value chains.</p> <p>Furthermore, our animal nutrition solutions improve animal digestion, resulting in higher farm productivity. Globally, we are partnering with the WBCSD Climate Smart Agriculture LcTPI and the Global Harvest Initiative on this issue. Learn more in Partnerships and collective action.</p> <p>Health and nutrition are becoming increasingly important to consumers, and so to our customers. Several of our solutions enable a number of exciting innovations in the food industry that can contribute to improved nutritional profiles, for example increasing protein content, lowering salt content and removing lactose from dairy.</p>
<p><b>Goal 3.</b> Ensure healthy lives and promote well-being for all at all ages</p>	<p>Novozymes produces biodegradable enzymes that can replace chemicals that pollute air, water and soil, and cause risk to people's health. For instance, enzymes can boost the bleaching process in papermaking and reduce the need for bleaching chemicals.</p> <p>At the same time, Novozymes takes product stewardship seriously. We are committed to minimizing the potential environmental and human health risks throughout the product life cycle. See more in our GRI Disclosure on Management Approach for Product Responsibility.</p>
<p><b>Goal 4.</b> Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<p>We have set a long-term 2020 goal to educate 1 million people about the potential of biology, by expanding our corporate citizenship outreach. Education is a focus of our corporate citizenship engagement, in which we aim to develop programs that meet societal needs and leverage our core competencies within biotechnology. This approach generates engagement with our employees and brand value, and maintains our license to operate. Learn more in Strategic social investments and philanthropy.</p>
<p><b>Goal 5.</b> Achieve gender equality and empower all women and girls</p>	<p>Human and labor rights are respected and promoted at Novozymes and within our supply chain. Learn more in Progress on labour rights.</p>

<p><b>Goal 6.</b> Ensure availability and sustainable management of water and sanitation for all</p>	<p>At Novozymes, water is an important consideration in both product and process innovation. Our new products are assessed for their potential to have a positive impact on many environmental parameters, including water pollution and water consumption. For instance, enzymes can be used in the textile industry to combine processes and save copious amounts of water. We also offer solutions for municipal solid waste management and wastewater treatment with wide-ranging applications for cities. Since 2009, we have successfully decoupled absolute water consumption from business growth. Learn more in Progress on environment.</p>
<p><b>Goal 7.</b> Ensure access to affordable, reliable, sustainable and modern energy for all</p>	<p>Sustainable energy is central to achieving global sustainable development. We are working to develop and market biobased solutions to climate change. A number of our solutions are able to save energy in application. For example, enzymes can be used in detergents to enable laundry wash at lower temperatures, saving energy without compromising wash performance. Additionally, enzymes for the bioenergy industry turn starch (primarily corn), waste and biomass into biofuels. Biofuels are an important step toward meeting the growing demand for sustainable transportation energy.</p> <p>Novozymes also works with partners to further the sustainable energy agenda. For example, we led the formation of the Sustainable Bioenergy High Impact Opportunity within the UN-led SE4All initiative to facilitate the development and deployment of sustainable solutions to generate energy from waste (i.e., 2G ethanol). Learn more in Engaging with the UN Global Compact. Additionally, we are committed to improving the operational eco-efficiency of our production. Learn more in Progress on environment.</p>
<p><b>Goal 8.</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<p>Human and labor rights are respected and promoted at Novozymes and within our supply chain. We generate direct value for the economies in which we operate through the purchase of goods and services from suppliers, the payment of wages and pensions to our employees, various types of taxes and duties to the community, and dividends and financial costs to our capital providers.</p>
<p><b>Goal 9.</b> Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p>	<p>We are an enabler of the green industry, as our biosolutions help our customers improve the resource and environmental efficiency of their industrial processes. Innovation as a key driving force for business, specifically product innovation, continues to be one of the most material issues for us. Creating innovative and sustainable solutions for society is vital to our long-term success. We continue to invest to make sure we deliver on this objective. More than one-fifth of our global workforce works in R&amp;D, and annually we spend around 14% of our annual revenue on R&amp;D.</p>
<p><b>Goal 11.</b> Make cities and human settlements inclusive, safe, resilient and sustainable</p>	<p>Novozymes offers solutions for municipal solid waste management and wastewater treatment with wide-ranging applications for cities. Additionally, we are focused on reducing effluents and waste from our own operations.</p>
<p><b>Goal 12.</b> Ensure sustainable consumption and production patterns</p>	<p>Our biosolutions can enable our customers to produce more with less, and promote sustainable consumption and production patterns. Our products enable improved environmental performance by reducing energy, raw material and chemical consumption, and CO2 emissions. We have conducted and published a large number of life cycle assessments (LCAs) to document the environmental benefits of biological technologies over conventional technologies. Learn more in Targets in The Novozymes Report 2015.</p> <p>We also emphasize sustainable production internally through our targets for operational eco-efficiency. Learn more in Progress on environment.</p> <p>Furthermore, sustainability is strongly integrated in our business, and we are committed to being transparent about our efforts. Since 2002, we have published an integrated annual report that describes our performance on both financial and sustainability parameters. Business integrity, anticorruption, antitrust and responsible policy engagements are critical issues for us from both a legal and business ethics perspectives. As a responsible global company, we commit to fair business practices and uphold the values of transparency and accountability.</p>

**Goal 13.** Take urgent action to combat climate change and its impacts (acknowledging that the United Nations Framework Convention on Climate Change is the primary international, intergovernmental forum for negotiating the global response to climate change)

Climate change mitigation is well integrated in our business strategy. We have targets for CO<sub>2</sub> savings, both in our own operations and through customers' application of our products. Our biosolutions can save energy, raw materials, water and chemicals when used in industrial production. This leads to considerable greenhouse gas emissions savings. Furthermore, our supplier program on responsible sourcing seeks to ensure that our directly sourced agricultural raw materials do not come from locations that contribute to further deforestation. Learn more in Engagement with suppliers.

Since 2009, Novozymes has decoupled absolute CO<sub>2</sub> emissions from business growth and improved CO<sub>2</sub> efficiency by 18 percentage points. In 2015, we received a CDP score of 100 A- and retained our position in the Nordic Climate Disclosure Leadership Index for a seventh consecutive year.

Additionally, we are working with other stakeholders to enable a low-carbon future. Learn more in Engaging with the UN Global Compact and Partnerships and collective action.

**Goal 15.** Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Deforestation and land use change have adverse impacts on ecosystems and global warming. We closely monitor this issue because of its increasing importance for both our suppliers and customers.

Our biological solutions for agriculture can help farmers increase yields without adding more fertilizer. This means that we need less land to feed the world and the pressure on natural forests for crop production can be reduced.

Furthermore, our supplier program on responsible sourcing seeks to ensure that our directly sourced agricultural raw materials do not come from locations that contribute to further deforestation. Learn more in Engagement with Suppliers.

**Goal 16.** Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Business integrity, anticorruption, antitrust and responsible policy engagements are critical issues for us from both a legal and business ethics perspective. As a responsible global company, we commit to fair business practices and uphold the values of transparency and accountability. Corporate governance that is proactive and transparent is a cornerstone for the efficient management of Novozymes.

**Goal 17.** Strengthen the means of implementation and revitalize the global partnership for sustainable development

Our corporate strategy is called Partnering for Impact because we recognize the opportunity to drive transformational change and have a significant impact on society by partnering with other stakeholders. By 2020, we aspire to catalyze five high-impact global partnerships with public and private organizations to create answers for a more sustainable world.

# Strategic social investments

**To support our strategy, Partnering for Impact, we pursue strategic investments in partnership with key stakeholders to deliver large-scale sustainable impact.**

For 2015, we report on our strategic social investments to fulfill our CSR obligations in India and our ongoing success with Citizymes, our corporate citizenship program.

## Fulfilling CSR obligations in India

In 2014, the Indian government passed a law making corporate social responsibility initiatives mandatory for companies of a certain size. Eligible companies must spend 2% of their average net profit for the past three years on CSR activities to address specific developmental challenges, including poverty, education and environmental protection.

At Novozymes, we believe that multinational corporations have the potential to support the global development agenda and deliver sustainable impact at scale. Accordingly, we view this legislation as an opportunity to identify new partners and strategic social investments in India. In 2015, we have undertaken several projects to fulfill our CSR obligations, which also align with our corporate citizenship program. These include community engagement projects, strategic partnerships with NGOs and academic collaborations to promote education.

We have engaged with an organization called Unnati, which focuses on providing vocational training programs to less educated, unemployed and economically challenged youth, with an assured job at the end of the training period. These programs enable inclusive growth by empowering families below the poverty line. Unnati has trained and employed more than 4,000 youth in reputable companies. Novozymes has been supporting the organization by enhancing the training infrastructure and supporting skills development initiatives.

Another key highlight is our ongoing collaboration with Partners in Change, a renowned civil society organization. Novozymes is supporting an initiative called the Sustainable Agriculture and Business Responsibility Endeavour (SABRE). This initiative seeks to support local farmers and vulnerable communities that depend on agriculture as they cope with the impacts of climate change. Under this program, Novozymes and Partners in Change have engaged with 1,500 farmers across India, mapping their experiences and their strategies for adaptation. The main outcome has been developing the capacity of local farming communities to practice sustainable agriculture and generate energy from waste.

## Corporate citizenship: Citizymes

In 2015, we launched a long-term target of educating 1 million people about the potential of biology. This ambition is built upon the legacy and best practices of our corporate citizenship program, Citizymes. We are refining the way in which we deploy our key competencies in biology and sustainability to address some of the key societal needs in the area of education. 2015 has been the first year of strategic transitioning from Citizymes to the EDUCATE program.

2015 was a busy year. We scaled up and broadened the scope of our most successful regional flagships, including Voice for Biotechnology, a public speaking contest in India, and Biotech for Sustainability, an innovation competition in China. Furthermore, we continued to partner with local schools and science centers in North America to deliver educational events for primary and high-school students.

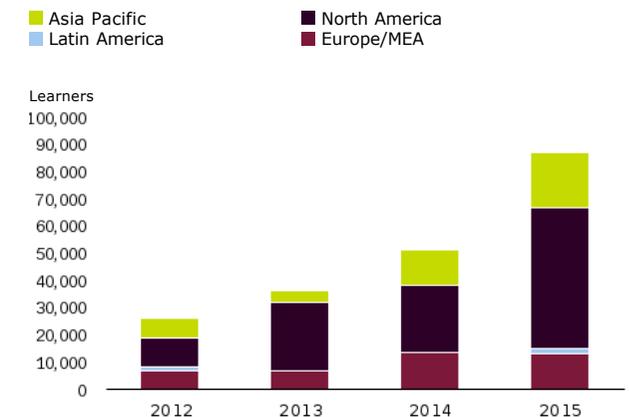
Novozymes in Denmark opened the doors to high-school students for a day-long visit, offering a mix of lectures and visits to our Research & Development laboratories. In 2015, we also reignited an earlier successful program in Brazil, Biotechnology for Sustainability Goes to School, which targets high-school students.

We reached approximately 87,000 learners in 2015, compared with approximately 51,000 learners in 2014. In total, we have reached approximately 210,000 learners since the program launched in 2011.

## Looking ahead

During 2015, the elements in the EDUCATE target have been extensively discussed across the regions where we operate. In the coming years, we aim to deliver learning experiences that have a lasting impact. At the same time, we will work to increase our reach because our goal is to have educated 1 million learners by 2020. To achieve this, we will need to explore and test new and innovative ways to scale our activity levels within and across regions. We look forward to the challenge, and plan to investigate how online platforms such as e-learning can help us reach our goal.

Citizymes: Learners reached by geography



### **Other philanthropic efforts**

We actively support initiatives that care for the local environment and the communities where we operate. While our corporate citizenship efforts focus on education, we occasionally engage in other philanthropic efforts. In 2015, we announced that we would support UNICEF Denmark's efforts to address the serious refugee crisis in Europe. A significant number of the refugees fleeing the conflict in Syria are children. This is an extraordinary situation that calls for prompt action, and our donation will provide essential supplies to help vulnerable children withstand the harsh winter.

# Advocacy and public policy engagement

**Novozymes strives to communicate in an open, consistent and credible manner. We seek dialogue with a wide range of stakeholders and endeavor to ensure transparency in our outreach.**

We have developed a clear Communication Policy to guide how we influence the public agenda and legislation to achieve our ambitions. Within national and international laws and policy guidelines, we present our positions to policymakers and other interested parties. In order to ensure transparency, we publish official positions papers on a range of issues at [www.novozymes.com](http://www.novozymes.com).

We have Public Affairs offices in Copenhagen, Brussels, Washington, D.C., Brasilia, New Delhi and Beijing. Our 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. We lobby within the areas of renewable energy and biotechnology, as well as to retain production jobs in Denmark.

Additionally, we actively participate in industry associations and stakeholder organizations, as well as in broader international and global business associations. We publish a comprehensive list of our global memberships at [www.novozymes.com](http://www.novozymes.com).

We are committed to communicating in a respectful and credible way. We regularly engage in constructive dialogue with a diverse range of stakeholders, including our peers, industry partners, academics, civil society and policymakers.

## Lobbying expenditures

In 2015, Novozymes was an active member of several global and local political, business and industry associations. We

also engaged with the media, governments, NGOs and international organizations to support our lobbying and political positioning efforts. The total amount spent on these activities was DKK 31 million. This figure excludes employee costs, travel, rental, monitoring expenses and other such expenses.

Novozymes does not make contributions to political parties.

## Engaging with policymakers

2015 saw a number of opportunities to participate in key global summits and engage with thought leaders, policymakers and heads of state on critical topics concerning climate change and sustainable development. As a leading bioinnovator, we believe that it is our responsibility to share knowledge about the transformative potential of biosolutions.

### World Economic Forum at Davos, Switzerland

In January 2015, our President & CEO, Peder Holk Nielsen, participated in the World Economic Forum's annual summit in Davos. The theme of the summit was The New Global Context. Over 40 heads of state and 2,500 other business and society leaders met to discuss 10 key global challenges, including the environment and resource scarcity, and food security and agriculture. We participated in several events and continued our work within the initiative New Vision for Agriculture. Peder Holk Nielsen was recognized for his notable contributions to driving circular economy principles and nominated as a finalist in the individual leadership category for the Circular Economy Awards.



*Novozymes encourages and works toward developing environmentally friendly technologies that support climate change mitigation.*

### G20 Leaders Summit in Antalya, Turkey

Novozymes is a member of the International Chamber of Commerce (ICC) G20 CEO Advisory Group and the Business 20 (B20). These groups work together to provide a platform for global business to provide input to the work of the G20 on an ongoing basis. We supported the Turkish G20 Presidency in its efforts to foster collective actions toward strong, inclusive and balanced growth. Prior to the Antalya summit in November 2015, we engaged in a series of related activities. In October 2015, our CEO, Peder Holk Nielsen, spoke at the first-ever G20 Energy Ministers Meeting and led discussions at the B20 Energy Forum. These discussions and the resulting Communiqué on Energy and Climate Change were reflected in G20 recommendations to increase investments in clean energy technologies and to promote reliable, affordable and sustainable energy.

# Partnerships and collective action

**Novozymes strives to catalyze partnerships and collective action with diverse stakeholders from the private sector, governments, civil society and academia for a sustainable future.**

## **World Business Council for Sustainable Development (WBCSD)**

Novozymes' relationship with WBCSD was stronger than ever in 2015. We collaborated with WBCSD to define a role for the private sector in achieving the UN Sustainable Development Goals and in the run-up to COP21.

In early 2015, Novozymes provided feedback and consulted with WBCSD, the UN Global Compact and the Global Reporting Initiative (GRI) on the SDG Compass, a guide to help companies align their strategies with the SDGs, and measure and manage their contribution.

On the road to Paris, WBCSD partnered with the Sustainable Development Solutions Network and the International Energy Agency to create the Low Carbon Technology Partnerships initiative (LCTPi), which aims to scale up the development and diffusion of low-carbon technologies and business solutions. LCTPi was later adopted as one of the flagship initiatives of the Lima-Paris Action Agenda for COP21, coordinated by the French Presidency of COP21, the Peruvian Presidency of COP20, the UN Secretary-General's office and the Executive Secretariat of the UNFCCC. Novozymes is actively participating in 2 of the 10 sector-specific workstreams under the LCTPi, namely Low Carbon Fuels and Climate Smart Agriculture. We have leveraged our engagement in the Low Carbon Fuels LCTP to support the objectives of the SE4All Sustainability Bioenergy Group.

## **International Chamber of Commerce (ICC)**

ICC is the world's leading business association, and has been promoting sustainable business for over 40 years. Novozymes has played an increasingly active role across the network in recent years.

In early 2015, Novozymes supported the development of and endorsed the ICC's new Business Charter for Sustainable Development, which encompasses eight guidelines to help companies develop a corporate sustainability strategy. Novozymes' Head of Corporate Sustainability, Claus Stig Pedersen, was the sole business representative invited to speak at the launch event.

Novozymes also supported the ICC's convening of the Global Business Alliance for 2030. CEO Peder Holk Nielsen was one of the high-level speakers at the SDG Business Forum during UN Climate Week in September 2015. In the US, Novozymes was a founding supporter of the Business for 2030 initiative, the only official UN network partner that showcases business contributions to the SDGs.

The ICC was also the lead UN "Focal Point" for all business engagement with the UNFCCC in the run up to COP21. During 2015, Novozymes contributed to a number of key policy positions and recommendations as part of its advocacy efforts, working through the ICC Global Environment and Energy Commission and USCIB's Environment Committee.

At COP21, CEO Peder Holk Nielsen spoke at several events, including the *International New York Times'* Energy for Tomorrow conference, an event supported by ICC and WBCSD.

## **Global Harvest Initiative**

In June 2015, Novozymes joined the Global Harvest Initiative (GHI), a group of global companies and organizations that are using the power of partnerships to improve lives and livelihoods in agriculture in a sustainable way.

This partnership seeks to support initiatives and policies that will help improve food security and nearly double the output of food, feed, fuel and fiber by 2050. We aim to do that while conserving natural resources, adapting to climate change and investing in agricultural research. Our microbial solutions have the potential to sustainably meet the world's growing food and feed needs. We bring to the table our expertise and experience in developing technical solutions and building partnerships.



*Novozymes' microbial solutions have the potential to sustainably meet the world's growing food and feed needs.*

# Overview: Integrating the Ten Principles into business strategy



The table below provides an overview of Novozymes’ commitment to all Ten UN Global Compact Principles, and how we are implementing them across our operations and value chain through a set of robust management policies and procedures, which are available online at [www.novozymes.com](http://www.novozymes.com).

	Materiality & scope	Management & reporting	Commitment/Membership
<p><b>Human rights</b></p> <p><b>Principle 1:</b> Businesses should support and respect internationally proclaimed human rights; and</p> <p><b>Principle 2:</b> make sure that they are not complicit in human rights abuses.</p>	<p>Our dedication to addressing and advancing human rights and labor standards is embedded in our purpose, values and targets.</p> <p>As a responsible global organization, Novozymes is committed to protecting human rights and labor standards. Our 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 &amp; Organization and Sustainability managers conduct annual self-assessments of minimum standards on labor &amp; 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>UNGPs Professionals Network</p> <p>Danish Ethical Trade Initiative</p> <p>Supplier Ethical Data Exchange (SEDEX)</p>

## Progress on the Ten Principles

	<b>Materiality &amp; scope</b>	<b>Management &amp; reporting</b>	<b>Commitment/Membership</b>
<p><b>Labour</b></p> <p><b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p><b>Principle 4:</b> the elimination of all forms of forced and compulsory labour;</p> <p><b>Principle 5:</b> the effective abolition of child labour; and</p> <p><b>Principle 6:</b> the elimination of discrimination in respect of employment and occupation.</p>	<p>Our dedication to addressing and advancing labor practices is embedded in our vision, values, company idea and commitment – Touch the World.</p> <p>As a responsible global organization, Novozymes commits to protecting human rights and labor standards. Our 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 &amp; Organization and Sustainability managers conduct annual self-assessments of minimum standards on labor &amp; 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 Ethical Trade Initiative</p> <p>Supplier Ethical Data Exchange (SEDEX)</p>
<p><b>Environment</b></p> <p><b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges;</p> <p><b>Principle 8:</b> undertake initiatives to promote greater environmental responsibility; and</p> <p><b>Principle 9:</b> encourage the development and diffusion of environmentally friendly technologies.</p>	<p>Our purpose states, “Together we find biological answers for better lives in a growing world – Let’s rethink tomorrow.” Our biosolutions enable our customers to create more with less – by improving the efficiency of industrial processes, thereby saving energy and raw materials, and reducing waste. We were a pioneer in the field of life cycle assessment and understand the environmental impacts of our products from cradle to grave.</p> <p>Management practices are aligned with Novozymes’ Sustainability Policy and a robust environmental management system that meets ISO 14001 standards. The policy contains our specific commitments to preventing pollution, improving environmental performance, setting targets for our operations, developing biosolutions and measuring the impact of our products.</p>	<p>Regional environmental managers conduct annual internal reviews of environmental targets and legal compliance at local production sites.</p> <p>Novozymes’ Environmental Forum is a global network of environmental managers that coordinates efforts on performance.</p> <p>Global Environmental Services conducts annual environmental management reviews.</p> <p>A global audit panel conducts internal audits, and Bureau Veritas conducts external audits of all production facilities for ISO 14001 certification.</p> <p>The environmental performance targets are owned and managed by the vice presidents of the functions, who then anchor these with the Executive Leadership Team.</p>	<p>UN Caring for Climate</p> <p>UN Convention on Biological Diversity</p> <p>UNIDO Green Industry Platform</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>Low Carbon Technology Partnerships initiative</p>

## Progress on the Ten Principles

	Materiality & scope	Management & reporting	Commitment/Membership
<p><b>Anti-Corruption</b></p> <p><b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>We are committed to ensuring that our business practice is open and honest to protect Novozymes' integrity and that of every employee. Our dedication to addressing and advancing anticorruption and business integrity aspects is embedded in our purpose, values and targets.</p> <p>Our business integrity rests on six fundamental principles that address bribery, 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>The Corporate Sustainability department works cross-functionally and helps in driving a number of initiatives to execute the climate change strategy.</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>The Committee on Business Integrity (CBI) is the principal governance body and oversees annual training of employees globally. The Chief Financial Officer appoints members of the CBI and receives reports from it.</p> <p>Business integrity concerns can be raised through our grievance channels, which include the global and regional ombudspersons and 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 Executive Leadership Team receives reports of significant business integrity concerns.</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 Ten Principles

This table provides an overview of Novozymes' commitment to all Ten UN Global Compact Principles, and how we are implementing them across our operations and value chain through a set of robust management policies and procedures, which are available online at [www.novozymes.com](http://www.novozymes.com).

		Policy					Position										
		Sustainability Policy	Quality & Product Safety Policy	People Policy	Finance & Legal Policy	Communication Policy	Business integrity	Climate change	Gene technology	Biofuels	Tax strategy	REACH	Labeling of enzymes	Animal testing	Diversity and equal opportunities	Human rights & labor standards	Responsible purchasing
<b>Human Rights</b>	<b>Principle 1:</b> Businesses should support and respect internationally proclaimed human rights; and	✓		✓											✓	✓	✓
	<b>Principle 2:</b> make sure that they are not complicit in human rights abuses.	✓		✓											✓	✓	✓
<b>Labour</b>	<b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	✓		✓												✓	✓
	<b>Principle 4:</b> the elimination of all forms of forced and compulsory labour;	✓		✓												✓	✓
	<b>Principle 5:</b> the effective abolition of child labour and	✓		✓												✓	✓
	<b>Principle 6:</b> the elimination of discrimination in respect of employment and occupation.	✓		✓										✓	✓	✓	✓
<b>Environment</b>	<b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges;	✓	✓				✓	✓	✓		✓	✓	✓				✓
	<b>Principle 8:</b> undertake initiatives to promote greater environmental responsibility; and	✓	✓				✓	✓	✓		✓	✓					✓
	<b>Principle 9:</b> encourage the development and diffusion of environmentally friendly technologies.	✓	✓		✓		✓	✓	✓		✓	✓					✓
<b>Anti-corruption</b>	<b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery.	✓			✓	✓	✓			✓							✓

# Progress on human rights

**Novozymes endorses the UN Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights. Our minimum standards cover nondiscrimination, child labor, forced and compulsory labor, and fair labor practices.**

## Progress in 2015

We remain committed to adhering to the UN Guiding Principles on Business and Human Rights, and to improving awareness and monitoring across all our regions. In 2015, we continued our annual human rights due diligence process, which has a dual purpose: to create awareness, and to assess compliance with our minimum standards on labor and human rights globally. The human rights due diligence process is led by the People & Organization department and is supported by the 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 of 2015 was the inclusion of more guidance and detailed information on human rights risks in our due diligence process. Each region was provided with examples of potential human rights risks, specific to local circumstances, and asked to provide appropriate documentation and prevention methods. The outcome of this revised due diligence process was an increased awareness of regional human rights trends and developments.

In 2015, we joined a new network called UNGPs Professionals Network, which was formed by Global CSR, a sustainability consultancy firm. The network consists of leading Danish companies within sustainability that are committed to adhering to the UN Guiding Principles on Business and Human Rights. Participants discuss trends and improvement opportunities regarding human rights due

diligence, training and reporting. These knowledge-sharing sessions are facilitated by human rights experts from Global CSR.

We also expanded the scope of the expectations made of our suppliers by updating our Supplier Guidelines. The new version incorporates a specific clause on zero tolerance for land grabbing. These guidelines are communicated to all new suppliers and will be appended to new contracts going forward in the form of a legally binding set of requirements.

## Challenges and dilemmas

As a global company, Novozymes operates in many different countries and industries where human rights violations happen every day. We are committed to ensuring that our own operations are not implicit in any human rights abuses, to monitoring the risk of human rights violations, and to implementing measures to mitigate these risks. As responsibility for human rights expands organizational boundaries, we face challenges in ensuring that human rights abuses do not occur at any point in our value chain.

## Looking ahead

In the year ahead, we will continue to improve our human rights due diligence process by developing an understanding of region-specific trends, educating employees on the risks of abuses and increasing awareness of grievance mechanisms.

## People development powerhouse

Novozymes' approach to workplace development encompasses initiatives across all three levels of strategic, tactical and operational planning. In 2015, we expanded the People Development Powerhouse, reaching approximately 4,400 employees across various functional areas within the organization. The Powerhouse addresses leadership behavior, learning culture, and development systems and tools. Our regional leadership acceleration program enables us to shape a robust and diverse international succession pipeline. See more on our ENABLE target under Targets in The Novozymes Report 2015.



*Novozymes is committed to adhering to the UN Guiding Principles on Business and Human Rights, and to improving awareness and monitoring across all its regions.*

# Progress on labour rights

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

## Progress in 2015

With the implementation of our new purpose, strategy and long-term targets in early 2015, employee development has become a key focus area for us. The long-term target "ENABLE Novozymes' employees to develop" will ensure that we build the skills that are crucial to deliver on our strategy, and that all employees develop their full potential.

### Employee satisfaction and development

In 2015, we conducted our annual People's Opinion survey, with a high response rate of 95%. The survey provides important insights into employee motivation and satisfaction, and helps identify areas that need continuous attention and further improvement. For a second consecutive year, we met both our targets related to workplace development. "Employee satisfaction and motivation" scored 77 out of 100 in the survey, surpassing our target of 75. With a score of 80 for "Opportunities for development," we also improved our 2014 score and met our target of 75.

In October 2015, the journal *Science's Magazine's* Top Employer Survey ranked Novozymes the top employer among 20 global science companies within biotech, pharma and related industries. The ranking was based on several key criteria, including respect for employees, leadership in innovation and social responsibility. Read more in this press release.

### Diversity and equal opportunities

While upholding the principle of merit-based employment and promotion, we are committed to strengthening diversity. We give diversity important consideration in the context of talent attraction, promotion and succession planning, and by setting concrete diversity targets as described in our position on Diversity and equal opportunities. With 41% of employees promoted in 2015 being female, we surpassed our 2015 target of ensuring that at least 35% of employees promoted were women. We also have a long-term target of ensuring that women hold at least 30% of senior management positions by 2020, and we believe our continued focus and initiatives will support our journey toward meeting this target.

### Internal collective bargaining committees

Novozymes recognizes and respects the right to form and join associations and to bargain collectively. We make appropriate arrangements to facilitate the fulfillment of these fundamental rights in countries with limited labor legislation.

### Occupational health and safety

Novozymes' health initiatives are designed to fit local needs and to improve employees' overall well-being. Some of the local health initiatives that were rolled out in 2015 are described below.

In Denmark, we have expanded an exercise campaign to create awareness of the importance of movement during the working day. The program aims to reduce neck, shoulder and back pain as a result of working conditions within certain job

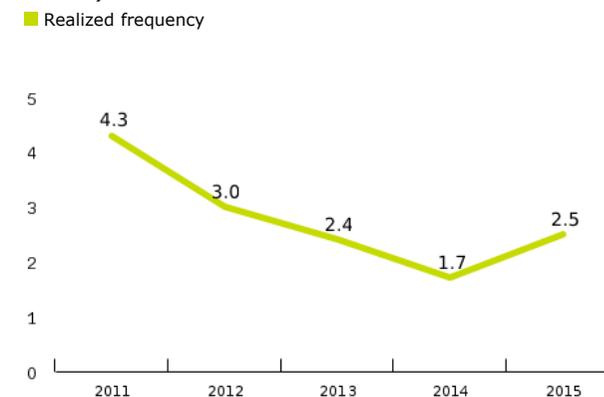
categories. In India, we offer group-based stress management and prevention sessions. Furthermore, safety thinking is endorsed through safe-driving campaigns for all employees. In the U.S., employees are offered individual counseling to deal with stress.

On a global level, we have increased our focus on the psychological working environment, which can lead to work-related stress. For the first time in 2015, questions concerning harassment and bullying were included in the annual People's Opinion survey. The results showed a low degree of harassment and bullying in Novozymes in general. All departments will follow up on the results to ensure a healthy psychological working environment and well-being of employees.

## Challenges and dilemmas

In 2015, we experienced an increase in the frequency of occupational accidents, resulting in a frequency of 2.5 per million working hours, which is above our target of 1.7 for 2015. We have found that most of the accidents that occurred in 2015 could have been avoided with a higher degree of safety awareness. Ensuring safety awareness has therefore been a focus area in new safety initiatives launched in 2015.

### Frequency of accidents (per million working hours)



**Looking ahead**

We will continue to strive for an injury- and incident-free working environment and are currently rolling out further initiatives to improve safety at Novozymes. A Let's Talk Safety campaign was initiated in 2015 to increase awareness and focus on safety. The campaign focuses on building a culture where safety is something we just "do." One of the key elements in the campaign is to enable team leaders to run daily safety talks with their teams as a means of reinforcing safety guidelines and establishing a focus on relevant safety concerns. The campaign was initially rolled out in our production organization, where most of the occupational accidents occurred, and will be rolled out company-wide in early 2016.

# Progress on environment

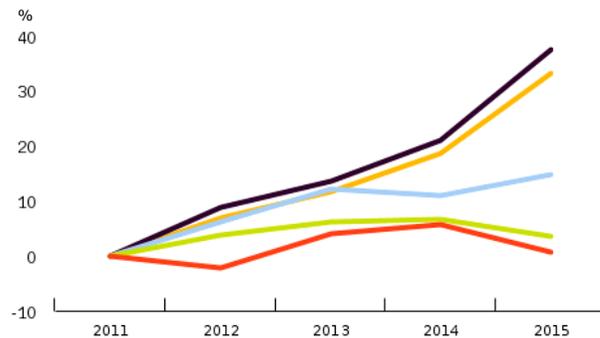
**We are committed to the three environmental principles of UNGC and adopt a precautionary approach toward environmental issues to minimize the environmental impacts of our own operations, as well as our customers' application of our biosolutions.**

## Progress in 2015

We remain focused on improving the environmental performance of our products as well as our own operations. In 2015, we implemented various programs and initiatives to improve our energy and water efficiency and reduce emissions from our operations. The improvements in operational efficiency have helped to decouple environmental impact from growth in sales and gross profit. This effect is measured in our efficiency and intensity targets. Furthermore, we strengthened the impact assessments of our biosolutions, creating more value for our customers.

## Developments in sales, gross profit and environmental impact

■ Sales  
■ Gross profit  
■ Water consumption  
■ Energy consumption  
■ CO<sub>2</sub> emissions



## CO<sub>2</sub> intensity

In 2015, we reduced our CO<sub>2</sub> intensity by 17%, surpassing our target of a 4% reduction compared with the 2014 baseline. This has been achieved through our focused efforts on energy reduction at all sites and increased sourcing of renewable energy.

## Energy efficiency

In 2015, we improved our energy efficiency by 15% compared with the 2014 baseline, surpassing our target of 10%. This improvement has been driven by continuous process optimization and the implementation of many energy-efficiency projects. One such example is the installation of a heat pump process at our production site in Tianjin, China, which repurposes waste heat from the fermentation process to warm water for use in heating applications. The biogas plant at our facility in Franklinton, North Carolina, USA, which turns wastewater into steam, became operational much earlier than planned, helping us achieve our goals. We also optimized the biogas reactor in Kalundborg, Denmark, and the amount of heat recovered from it has improved significantly.

The percentage of renewable energy sourced increased to 24% in 2015, meeting our target of 24%. The majority of our renewable energy comes from the Horns Rev II windfarm in Denmark.

## Aligning our R&D pipeline with the SDGs

We have integrated the UN Sustainable Development Goals (SDGs) in the assessment of our R&D pipeline. This will help us take sustainability into consideration when prioritizing our R&D and future business activities. Moving forward, the products and solutions in our R&D pipeline will be assessed to evaluate their impacts in 15 different impact categories, including both environmental and social indicators.

“We know these factors will impact Novozymes’ business environment in the future, and by taking those aspects into consideration in how we prioritize our innovation pipeline, we will make it stronger,” says Claus Stig Pedersen, Head of Corporate Sustainability at Novozymes.

These impact categories were defined after each of the 17 SDGs and 169 targets was evaluated and related to the capabilities of our technology to create an impact. For each of the impact categories, relevant quantitative and qualitative indicators have been defined and linked to the SDGs and targets.

### Water efficiency

In 2015, we improved our water efficiency by 9% compared with the 2014 baseline. This improvement was less than expected, as a new system for water reuse at a major production site could not be implemented to its full capacity in time. It is now ramping up, and is expected to contribute greatly to water savings in 2016.

### Waste and by-products

The waste and by-products from our production consist of nonhazardous waste, hazardous waste and biomass, which is a by-product of our manufacturing. We seek to reduce the amount of waste and by-products that we send to landfill or for incineration by increasing our rate of reuse and recycling.

For waste, the rate of recovery was 49.5% in 2015, compared with 45% in 2014. We have made significant progress by focusing on recycling at our production sites. For biomass, the rate of recovery was 98% in 2015. We continue to convert and sell our biomass to farmers as NovoGro®, an organic agricultural fertilizer, at most of our sites.

Additionally, in 2015 we achieved cost savings of over DKK 5 million, by shifting toward large packaging sizes, reducing the amount of packaging material used per unit, and collaborating with our key customers to develop optimal solutions.

### Environmental compliance and complaints

We aim to comply with all environmental regulations and strive to minimize the number of complaints from our customers and neighbors. In 2015, 27 breaches of regulatory limits were registered worldwide, and there were no significant spills. This is a slight increase compared with the 25 breaches recorded in 2014. The majority of these breaches have been resolved, and we have agreed on action plans with the environmental authorities to address all pending issues.

We received 11 complaints from neighbors, the same level as in 2014. Most of these complaints were made by private residents living close to our facilities and were related to odors and noise.

### Climate change mitigation

We encourage and constantly work toward developing environmentally friendly technologies that support climate change mitigation. Many of our biosolutions offer our customers not only higher quality at lower costs but also better environmental performance than conventional technologies. We are focused on documenting the impact of our biosolutions. In 2015, we conducted a comprehensive update of our life cycle assessment (LCA) tools and LCA databases on consumed materials and utilities.

In 2015, our customers avoided an estimated 60 million tons of CO<sub>2</sub> emissions by applying Novozymes' products. The savings achieved are equivalent to taking approximately 25 million cars off the road. Lower sales growth than expected in key industries has impacted the CO<sub>2</sub> savings. However, the simultaneous change in our calculation methodology means that 2015 CO<sub>2</sub> savings are not directly comparable with those of previous years.

One of the highlights of 2015 was that we completed a LCA of an envisioned hybrid biorefinery project in an emerging economy producing 1G and 2G bioethanol from different feedstocks. The study was conducted in collaboration with BEE Energy, Mexico. The findings show GHG savings in the order of 90% compared with gasoline, corresponding to annual savings of almost 400,000 metric tons of CO<sub>2</sub> from a single hybrid biorefinery. This corresponds to taking more than 160,000 cars off the road in Europe. Many of the insights and learnings from this LCA study are now being used to enhance work on other studies and activities, with the ultimate goal of supporting the commercialization of the 2G industry.

### Challenges and dilemmas

We have been focusing on implementing various projects that reduce the use of resources and make our operations less carbon-intensive. However, as our production plants become increasingly efficient, we need to focus more on identifying projects that will enable energy and water savings, and help us achieve our 2020 goals.

### Looking ahead

To handle expected growth in production, we have initiated the process to extend wastewater treatment capacity at the

Kalundborg production facility in Denmark. The additional treatment capacity is planned to be operational in 2017. We will further continue to focus on process optimization, which can yield significant improvements in water and energy efficiency without capital investment.

# Progress on anti-corruption

**Novozymes seeks appropriate measures to work against all forms of corruption, including extortion and bribery. Our dedication to addressing and advancing anticorruption and business integrity aspects is embedded in our corporate values and policies.**

## Progress in 2015

### Business integrity

To ensure that our employees are well equipped to uphold our position on Business integrity, and to handle ethical dilemmas that they may encounter in their everyday work, Novozymes conducts annual training on business integrity. This takes the form of a global e-learning program, overseen and coordinated by our Committee on Business Integrity (CBI), and clearly communicates a strong compliance focus from top management. Further, it includes a series of case studies, exemplifying business integrity dilemmas relevant for employees at Novozymes.

In 2015, we further professionalized the content, format and process of our business integrity training, an effort that probably contributed to the registered increase in completion rate to 97%, compared with 94% in 2014. The high completion rates in 2014 and 2015 confirm our commitment to upholding an organizational culture based on compliance with the principles of business integrity.

### Antitrust

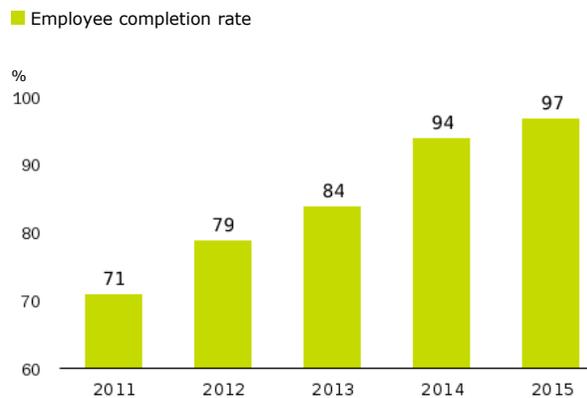
In 2015, relevant employee groups continued to participate in the recurring antitrust e-learning training programs. The 2015 compliance training consisted of two programs with different purposes and scopes. One of the programs had global reach and provided general guidance on mitigating the risk of misusing a strong market position in an

anticompetitive manner. The other program, specially targeted toward sales representatives in Europe, provided specific guidance on business practices that could be used as potential substitutes for unlawful exclusive purchase obligations. From 2014, new employees have also been required to complete antitrust training.

### Grievance mechanisms

In 2015, we continued to strengthen our internal communication, training efforts and due diligence to ensure

## Business integrity training for employees



employee awareness of the purpose and accessibility of the grievance channels. Comprising one global and five regional ombudspersons, Novozymes' Ombudsperson function provides a confidential means for facilitating the resolution of employee concerns, and upholds a consistent approach throughout the organization. Novozymes' Whistleblower Hotline, hosted by a third party, allows both internal and external stakeholders to anonymously report concerns related to fraud, business integrity, human rights, antitrust and other serious violations. Questions related to business integrity continue to be included in our annual People's Opinion survey, as they help the organization identify issues and areas that require further guidance and support.

## Challenges and dilemmas

As a global company with operations in many parts of the world, we face increasing legal and regulatory complexity. Paired with an increasing level of enforcement and sanctions in countries where we operate, we must be constantly vigilant and proactive in order to ensure a global compliance culture that meets rising expectations from stakeholders and business partners around the world. This requires us to continuously improve our understanding of both global and country-specific trends, to be at the forefront of events and maintain a sharp focus, not only on our own company, but also on the business partners with whom we engage.

## Looking ahead

We have initiated a project to improve and expand our business partner screening and due diligence programs, based on a more detailed assessment of our specific engagements and potential associated bribery risks. The aim is to tailor specific antibribery measures in a more structured and robust way, seamlessly integrated with business processes, while maintaining and reinforcing a high level of compliance.