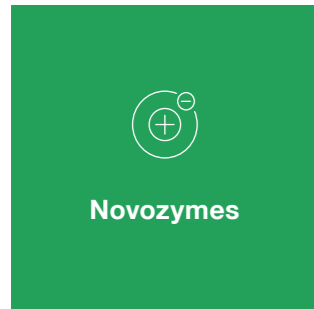


# Novozymes

Biological solutions

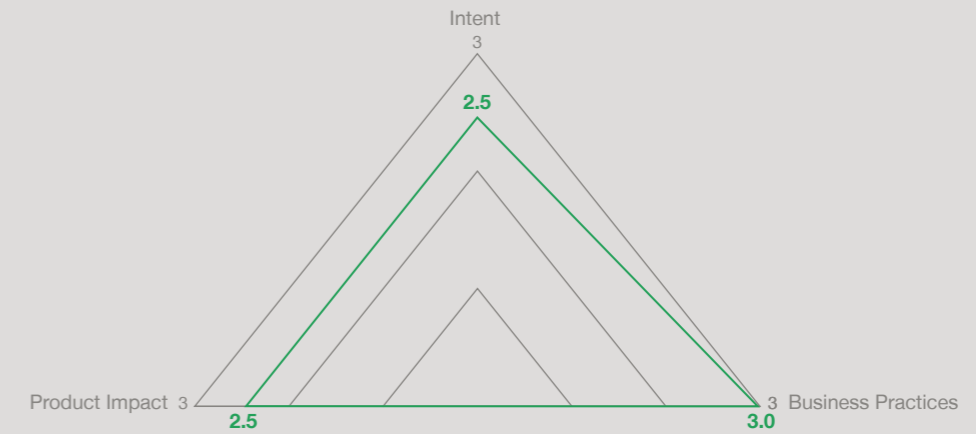


Novozymes manufactures enzymes that are used in household care products, food and beverages, bioenergy, agriculture and animal feed products. The company uses Life Cycle Assessments (LCAs) to assess the environmental impacts of its solutions for customers, considering the impact from raw material extraction, production, use and transportation, to final disposal through recycling.

## Investment Case

<b>What challenge is the Company tackling?</b>	Sustainability is at the core of all Novozymes' businesses. For example, in household care, the company develops enzymes that enable better laundry performance and therefore a reduced environmental impact (lower energy and water consumption). The company is also working on technologies that could allow extraction of sugars from cellulosic waste. These sugars could be used for the production of bioethanol or another fuel alternative which could substantially diminish the reliance on petrochemicals. Similar to Chr. Hansen, Novozymes is also developing products based on microorganisms that could be used in plant protection and animal feed as alternatives to harsh chemicals and antibiotics.
<b>Is the Company's offering sufficiently different and better than the status quo?</b>	The adoption of environmentally friendly products can be slow, partly due to consumers' unwillingness to pay for these products. Government regulations and subsidies tend to accelerate the adoption. Encouragingly, Novozymes' continuous innovation helps to bring the costs down and there are reasons to believe that this trend will accelerate in the future. The industrial application of biotech tools is still in its infancy and Novozymes could play a significant role in bringing biotech technologies to the service of environment and humanity.
<b>Is there a committed management team? What have they done before?</b>	The Novo Nordisk Foundation owns 25% of Novozymes ensuring it is run in a sustainable manner with a truly long-term focus. Ester Baiget became CEO in 2020 replacing Peder Holk Nielsen who held the position from 2013 having worked at Novozymes since 1984. The management team has consistently invested in R&D and brought new products to the market.
<b>How does the Company treat stakeholders?</b>	In 2017, Science Magazine ranked Novozymes as the world's second-best employer within biotech, pharma and related industries. Novozymes' focus on sustainability has helped improve customer relationships and they conduct annual customer satisfaction surveys which are tracked on a Net Promoter Score (NPS). Employees turnover has been steadily rising since 2013 however this could be due to restructuring of their R&D function. Encouragingly, employees ranked sustainability as one of the top three reasons they work for the company.
<b>Is there a potential to create a profitable and defensible business?</b>	Novozymes shares an attractive return profile thanks to scale advantages and microorganism production know-how which serve as a competitive advantage.
<b>Is the business attractively valued?</b>	Novozymes could play a very important role in reducing our environmental impact over the next few decades. With 50% global market share in enzymes Novozymes is hugely profitable with a very high return on equity which enables future research and development spend. It should be able to grow its top line at a high single digit rate over the next five years. The longevity of growth is not appreciated by the market.

## Impact Analysis



### Product Impact

Its products are in use across a staggering number of applications which gives Novozymes exceptional breadth of impact. The depth is something that is less clear and is most likely variable. This is something we can discover more about over time.

### Intent

While aspirations may not be quite bold enough for a 3, their commitment to innovation and its strong targets for delivering impact are impressive.

### Business Practices

Novozymes have fully embraced the value chain approach and are working to deliver positive impact across their entire sphere of influence.

	Relevant Targets	Relevant Products
<b>2 ZERO HUNGER</b> 	<b>Target 2.4</b> By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.	Novozymes is working together with Monsanto to use enzymes to improve agriculture yield, a more natural and sustainable approach than using chemical fertilisers and pesticides. We should monitor their progress on this venture.
<b>6 CLEAN WATER AND SANITATION</b> 	<b>Target 6.3</b> By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials.	Novozymes solutions help customers and consumers save water in application compared to conventional methods. Adding Novozymes microbial solutions to municipal systems and industries targets the problematic contaminants present in wastewater which the existing microbial communities can't always degrade.
<b>7 AFFORDABLE AND CLEAN ENERGY</b> 	<b>Target 7.2</b> By 2030, increase substantially the share of renewable energy in the global energy mix.	Novozymes products are used in the production of bioethanol.
<b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b> 	<b>Target 12.2</b> By 2030, achieve the sustainable management and efficient use of natural resources.	Novozymes biosolutions enable customers to produce more from less by reducing energy, raw material and chemical consumption, and CO <sub>2</sub> emissions. For example, enzymes can be used in detergents so that laundry can be washed at lower temperatures, saving energy without compromising wash performance.
<b>13 CLIMATE ACTION</b> 	With reference to UN Framework Convention on Climate Change.	In 2019, Novozymes product helped its customers to reduce CO <sub>2</sub> emissions by 87 million tonnes

**This presentation is intended solely for the use of professional investors and should not be relied upon by any other person. It is not intended for use by retail clients.**

---

## IMPORTANT INFORMATION AND RISK FACTORS

---

Baillie Gifford & Co and Baillie Gifford & Co Limited are authorised and regulated by the Financial Conduct Authority (FCA). Baillie Gifford & Co Limited is an Authorised Corporate Director of OEICs’.

Baillie Gifford Overseas Limited provides investment management and advisory services to non-UK Professional/Institutional clients only. Baillie Gifford Overseas Limited is wholly owned by Baillie Gifford & Co. Baillie Gifford & Co and Baillie Gifford Overseas Limited are authorised and regulated by the FCA in the UK.

Baillie Gifford Investment Management (Europe) Limited provides investment management and advisory services to European (excluding UK) clients. It was incorporated in Ireland in May 2018 and is authorised by the Central Bank of Ireland. Through its MiFID passport, it has established Baillie Gifford Investment Management (Europe) Limited (Frankfurt Branch) to market its investment management and advisory services and distribute Baillie Gifford Worldwide Funds plc in Germany. Similarly, it has established Baillie Gifford Investment Management (Europe) Limited (Amsterdam Branch) to market its investment management and advisory services and distribute Baillie Gifford Worldwide Funds plc in The Netherlands.

Baillie Gifford Investment Management (Europe) Limited also has a representative office in Zurich, Switzerland pursuant to Art. 58 of the Federal Act on Financial Institutions (“FinIA”). It does not constitute a branch and therefore does not have authority to commit Baillie Gifford Investment Management (Europe) Limited. It is the intention to ask for the authorisation by the Swiss Financial Market Supervisory Authority (FINMA) to maintain this representative office of a foreign asset manager of collective assets in Switzerland pursuant to the applicable transitional provisions of FinIA.

Baillie Gifford Investment Management (Europe) Limited is a wholly owned subsidiary of Baillie Gifford Overseas Limited, which is wholly owned by Baillie Gifford & Co. Baillie Gifford Overseas Limited and Baillie Gifford & Co are authorised and regulated in the UK by the Financial Conduct Authority.

Persons resident or domiciled outwith the UK should consult with their professional advisers as to whether they require any governmental or other consents in order to enable them to invest, and with their tax advisers for advice relevant to their own particular circumstances.

### Important Information Hong Kong

Baillie Gifford Asia (Hong Kong) Limited 柏基亞洲(香港)有限公司 is wholly owned by Baillie Gifford Overseas Limited and holds a Type 1 and a Type 2 licence from the Securities & Futures Commission of Hong Kong to market and distribute Baillie Gifford’s range of collective investment schemes to professional investors in Hong Kong. Baillie Gifford Asia (Hong

Kong) Limited 柏基亞洲(香港)有限公司 can be contacted at Suites 2713-2715, Two International Finance Centre, 8 Finance Street, Central, Hong Kong, Telephone +852 3756 5700.

### Important Information Japan

Mitsubishi UFJ Baillie Gifford Asset Management Limited (“MUBGAM”) is a joint venture company between Mitsubishi UFJ Trust & Banking Corporation and Baillie Gifford Overseas Limited. MUBGAM is authorised and regulated by the Financial Conduct Authority.

### Important Information Australia

Baillie Gifford Overseas Limited (ARBN 118 567 178) is registered as a foreign company under the Corporations Act 2001 (Cth) and holds Foreign Australian Financial Services Licence No 528911. This material is provided to you on the basis that you are a “wholesale client” within the meaning of section 761G of the Corporations Act 2001 (Cth) (“Corporations Act”). Please advise Baillie Gifford Overseas Limited immediately if you are not a wholesale client. In no circumstances may this document be made available to a “retail client” within the meaning of section 761G of the Corporations Act. This material contains general information only. It does not take into account any person’s objectives, financial situation or needs.

### Important Information South Africa

Baillie Gifford Overseas is registered as a Foreign Financial Services Provider with the Financial Sector Conduct Authority in South Africa.

### Important Information North America

Baillie Gifford International LLC is wholly owned by Baillie Gifford Overseas Limited; it was formed in Delaware in 2005 and is registered with the SEC. It is the legal entity through which Baillie Gifford Overseas Limited provides client service and marketing functions in North America. Baillie Gifford Overseas Limited is registered with the SEC in the United States of America.

The Manager is not resident in Canada, its head office and principal place of business is in Edinburgh, Scotland. Baillie Gifford Overseas Limited is regulated in Canada as a portfolio manager and exempt market dealer with the Ontario Securities Commission (“OSC”). Its portfolio manager licence is currently passported into Alberta, Quebec, Saskatchewan, Manitoba and Newfoundland & Labrador whereas the exempt market dealer licence is passported across all Canadian provinces and territories. Baillie Gifford International LLC is regulated by the OSC as an exempt market and its licence

is passported across all Canadian provinces and territories. Baillie Gifford Investment Management (Europe) Limited (“BGE”) relies on the International Investment Fund Manager Exemption in the provinces of Ontario and Quebec.

### Important Information South Korea

Baillie Gifford Overseas Limited is licensed with the Financial Services Commission in South Korea as a cross border Discretionary Investment Manager and Non-discretionary Investment Adviser.

### Important Information Oman

Baillie Gifford Overseas Limited (“BGO”) neither has a registered business presence nor a representative office in Oman and does not undertake banking business or provide financial services in Oman. Consequently, BGO is not regulated by either the Central Bank of Oman or Oman’s Capital Market Authority. No authorization, licence or approval has been received from the Capital Market Authority of Oman or any other regulatory authority in Oman, to provide such advice or service within Oman. BGO does not solicit business in Oman and does not market, offer, sell or distribute any financial or investment products or services in Oman and no subscription to any securities, products or financial services may or will be consummated within Oman. The recipient of this document represents that it is a financial institution or a sophisticated investor (as described in Article 139 of the Executive Regulations of the Capital Market Law) and that its officers/employees have such experience in business and financial matters that they are capable of evaluating the merits and risks of investments.

### Important Information Qatar

The materials contained herein are not intended to constitute an offer or provision of investment management, investment and advisory services or other financial services under the laws of Qatar. The services have not been and will not be authorised by the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or the Qatar Central Bank in accordance with their regulations or any other regulations in Qatar.

### Important Information Israel

Baillie Gifford Overseas is not licensed under Israel’s Regulation of Investment Advising, Investment Marketing and Portfolio Management Law, 5755-1995 (the Advice Law) and does not carry insurance pursuant to the Advice Law. This document is only intended for those categories of Israeli residents who are qualified clients listed on the First Addendum to the Advice Law.

### Potential for Profit and Loss

All investment strategies have the potential for profit and loss. Past performance is not a guide to future returns. It should not be assumed that recommendations/transactions made in the future will be profitable or will equal performance of the securities mentioned.

This document contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research and Baillie Gifford and its staff may have dealt in the investments concerned.

All information is sourced from Baillie Gifford & Co and is current unless otherwise stated.

The images used in this document are for illustrative purposes only

### Financial Intermediaries

This document is suitable for use of financial intermediaries. Financial intermediaries are solely responsible for any further distribution and Baillie Gifford takes no responsibility for the reliance on this document by any other person who did not receive this document directly from Baillie Gifford.