

Novozymes Proves that Sustainability Pays

Many global corporations have embraced sustainability as not just the right thing, but the smart thing to do to advance their businesses. But few companies have gone as far as Novozymes, which has identified sustainable development as the very reason the Danish global biotech exists.

"The purpose of Novozymes is to deliver solutions to the most pressing needs of the world, make a profit from doing so and invest in solving more problems," said Claus Stig Pedersen, the company's Head of Corporate Sustainability.

On its website, Novozymes preaches that "sustainability pays." The company's business metrics show annual organic sales growth of 7% and an EBIT margin of 27%.

Novozymes is the world's leading producer of industrial enzymes and microorganisms. The company, headquartered near Copenhagen, had 2014 annual revenue of \$1.9 billion (U.S.). It has 6,500 employees running eight production facilities on four continents, as well as affiliate and sales offices in about 30 countries.

Novozymes produces industrial enzymes and microorganisms used in a broad spectrum of industries. The company produces about half of the world's supply of industrial enzymes. Its biosolutions are used in everything from detergents to baking goods to textiles.

Helping Customers Advance Sustainable Development

Novozymes achieves its sustainability objectives by helping other companies achieve theirs. As custo-

mers' commitment to sustainability grows, so does the market for Novozymes products.

Enzymes and microorganisms used in industrial processes typically replace harsh chemicals, reduce energy consumption and enable better utilization of raw materials. For example, one of the primary uses of industrial enzymes is in detergents and cleansers, in which enzymes make it possible to achieve desirable results with lower water temperatures, lower water consumption and fewer chemical surfactants.



Claus Stig Pedersen, Head of Corporate Sustainability at Novozymes, chairs the company's Corporate Sustainability Board, which is composed of the top executives of the company's key functions.



Bioenergy -- bioethanol and biodiesel -- is a growing part of Novozymes' product portfolio. Enzymes enable the conversion of agricultural waste products and optimize the conversion of grains into biofuels. Replacing fossil-based fuels with biofuels reduces harmful carbon emissions. Bioenergy is an official priority solution of the UN-World Bank Sustainable Energy for All initiative, in which Novozymes is a founding partner.

The Triple Bottom Line

When Novozymes was created in 2000 through a three-way demerger of Novo Nordisk, the new company maintained its former parent's commitment to sustainable development.

"Sustainable development was deeply rooted into the culture and priorities of the company," said Pedersen. "There was a desire to be a really responsible company."

In 2009, Novozymes announced its ambition to "change the world together with its customers," moving sustainability to the front of Novozymes' value

"If companies would realize how much opportunity for business there is in helping to meet the needs of the world, that would be fantastic. There are so many opportunities for business in making the world a better place." *CLAUS STIG PEDERSEN*

proposition to its customers. The new ambition was supported by a strategy "to drive the world toward sustainability," with three focus areas:

1. Making the world aware of the sustainability benefits of biotechnology,

Novozymes Timeline

2000

Novozymes created as independent company in three-way demerger of pharmaceutical Novo Nordisk.

2001

Novozymes joins the UN Global Compact.

2009

Novozymes launches a new ambition and strategy to “change the world together with its customers” and “to drive the world toward sustainability,” setting goals and targets with a 2015 deadline.

2013

Novozymes has major restructuring, including embedding the corporate sustainability department in the Business Development function.

2015

Novozymes unveils Partnering for Impact, its new business strategy with updated sustainability goals and targets.

2. Creating new business from sustainability, and
3. Building sustainability capabilities across the organization to enable all employees to contribute.

Novozymes developed a wide range of performance targets, with corresponding bonus and stock option programmes for employees and management. Pedersen said one important result of this effort was decoupling growth in sales and profits from growth in energy, water consumption and CO2 emissions.

Customers of Novozymes reduced their CO2 emissions by a combined total of 60 million tons in 2014. That is equal to taking 25 million cars off the roads.

Lessons Learned

The company has learned some lessons along the way that may be useful to companies seeking to follow Novozymes' example of strategic sustainability.

- **Make sure top management takes ownership.** It takes true engagement and ownership by top management to identify and develop opportunities that will succeed from both a business and sustainability perspective. Novozymes has a cross-functional Corporate Sustainability Board. The board, chaired by Pedersen, has eight members, all senior leaders who head the company's key functions, including business development, finance, production, marketing and procurement.

When senior leaders develop the company's sustainability targets and programmes, are responsible for implementing them and are held accountable for their success, business and sustainability become linked from the top down.

- **Make the business case.** How do you get senior executives driven by production and profit targets to genuinely buy into sustainability? By making the business case, Pedersen said.

One thing Novozymes' top leaders have seen is that by gaining a reputation as a sustainability leader, Novozymes has been invited into the C-suite offices of top corporations for strategic discussions on how they can achieve their sustainability goals.

Another business benefit is the pride Novozymes' employees feel from contributing to making a more sustainable world. In a business environment in which companies compete to recruit and retain talent, corporate pride can be invaluable.

- **Partner with customers and other entities.** The biggest recent change in how Novozymes approaches sustainability is a greater emphasis on partnerships.

Novozymes recently unveiled its new business purpose: “Together, we find biological answers

“Together, we find biological answers for better lives in a growing world. Let’s rethink tomorrow.”

NOVOZYMES’ NEW PURPOSE STATEMENT.

for better lives in a growing world. Let’s rethink tomorrow.” It also announced a new formulation of its business strategy: “Partnering for Impact.” Those expressions underscore Novozymes’ belief that achieving sustainable development requires collaboration between the public and private sectors. A prime example is the Sustainable Energy for All initiative.

Future Plans

As the company developed its new purpose, strategy and 2020 targets, Pedersen said Novozymes was inspired by draft versions of the UN’s Sustainable Development Goals. Novozymes is systematically aligning several of its business priorities directly to the SDGs.

The company forecasts continued significant sales and earnings growth while achieving major environmental and social objectives. In other words, sustainability that pays.

Novozymes’ new 2020 sustainability goals include:

- A combined reduction of 100 million tons of CO2 emissions by Novozymes customers.
- Reach 6 billion people -- more than 85% of the current world population -- with its biological solutions.
- Educate 1 billion people about the potential of biology.
- Develop and deliver 10 transformative innovations.

“Too many see sustainability as a limitation on business,” he said. “We need to change that mindset and start seeing sustainability as a business opportunity.”

“There are probably just 50 to 100 companies that really get it today. But the number is growing fast. The new UN Sustainable Development Goals...will hopefully super-charge that trend.”