

Novo Nordisk Netherlands 2021 Year End Circular for Zero Progress & Strategy Report

Management Summary

This report details the goals, strategies and results from the implementation Novo Nordisk Netherlands' "Circular for Zero" strategy from January to December of 2021. Given the COVID-19 pandemic's effects on business, 2019 is used as a base-year for comparison. The Dutch affiliate has made steady progress in achieving the Circular for Zero goals set by the global organization and will continue to do so in the coming years. As it stands, there is much work to be done before we can consider ourselves a circular company. This report aims to provide some clarity and insight toward the strategies (past, present, and future) that can lead us to fulfilling the Circular for Zero goals.

Contents

Introduction	4
High-Level Overview	4
NN Netherlands Year-End EMP Accomplishments 2021	5
1. Supplier Transition to Renewable Energy	8
1.1 Setting Targets for the Local Affiliate	8
1.2 Results for the Local Affiliate as of End 2021	8
1.3 Actions Going Forward	9
2. Building Transition to Renewable Energy	10
2.1 Setting Targets for the Local Affiliate	10
2.2 Results for the Local Affiliate as of End 2021	10
2.3 Actions Going Forward	10
3. Car-fleet Electrification Initiative	11
3.1 Setting Targets for Local Affiliate	11
3.2 Results for the Local Affiliate as of End 2021	11
3.3 Actions Going Forward	12
4. Flights Reduction Initiative	13
4.1 Setting Targets for the Local Affiliate	13
4.2 Results for the Local Affiliate as of End 2021	13
4.3 Actions Going Forward	14
5. Communication	15
5.1 Setting Targets for the Local Affiliate	15
5.2 Results for the Local Affiliate as of End 2021	15
5.3 Actions Going Forward	15
Concluding Remarks	16

Introduction

With the introduction of the “Circular for Zero” (or C40) initiative in 2019, Novo Nordisk has taken increasingly ambitious steps to ensure that our organization is leading the charge against the worsening impacts of the climate crisis. In 2019, Novo Nordisk was globally responsible for 306.000.000¹ KG of CO₂ emissions. In doing so, we also contributed to what is likely to be one of the key challenges facing our, and future, generations. As it stands, there is a global environmental strategy in place, comprising of Environmental Management Plans (EMPs), carbon reduction goals for different areas of operation, and behavioural goals set to foster increased day-to-day acknowledgement and better practices in environmentally sustainable ways. Still, on an affiliate level, there is a lack of knowledge that originates in a lack of experience; there is no “recipe” for this transition on a local level. This brings us to the question, “How can we, the Netherlands affiliate, best implement Circular for Zero strategies to achieve the best results while sacrificing the least in business and operations?”

This document will be providing 3 main categories of information: The strategies that we have been implemented, the progress that we have made, and the reflections, learnings, better practices that have come from this first stage of implementation. In doing so, an answer to the question above begins to develop, and from that answer, a framework for the more efficient implementation of Circular for Zero strategies can be created and adopted.

To delineate the three categories of information, this document will be broken down into the five core areas of our carbon reduction strategy: the conversion of our supply chain to green energy and more “green” business practices, the conversion of our office building to green energy, car-fleet electrification, flight-reduction strategies, and communication, both internal and external. These sections will contain the available results relative to our 2019 baseline and actions to be taken for the continuation and improvement of these initiatives. Below, you will be able to read an overview of said results prior to the in-depth information that is provided.

High-Level Overview

In most areas of the transition to environmental sustainability, Novo Nordisk Netherlands has seen improvement in the reduction of CO₂, the development of strategies to accomplish our goals, and the communication necessary to drive change. In 2019, the Netherlands affiliate of Novo Nordisk emitted approximately 638.000 KG of CO₂ from our cars, office, and flights and a total of 3.431.000 KG of CO₂ if we include an estimation of our supply-chain emissions². This number needs to decrease significantly in the coming years. Below, a summary of the EMP, and accomplished actions, is presented and broken up into 3 sections: **Mandatory Goals**, **Supporting Goals**, and **Behavioural Goals**. Numerical results will be provided in the following sections, but this breakdown serves to give a high-level overview of the affiliate’s accomplishments in 2021.

¹ Novo Nordisk Annual Report 2019 (p. 85)

² For more in-depth information, please contact Nick Insua: nkiu@novonordisk.com

NN Netherlands Year-End EMP Accomplishments 2021

Mandatory

EMP Points	Progress
1. 100% renewable power from suppliers	<p>Top 6 suppliers (in terms of spend & potential industry impact) have been contacted & meetings have taken place to discuss C40 goals</p> <p>Promises from suppliers to convert to 100% renewable energy – updates TBD</p> <p>Framework/report of these meetings in development to share best practice strategies</p>
2. 50% of sourced key materials are sustainable (measured in spend)	<p>Printed paper FSC labelled & certified – suppliers are also working to convert to 100% green electricity</p> <ul style="list-style-type: none"> - This includes HCP pamphlets, promotional materials, and non-product packaging <p>More in-depth analysis needed on other supplies that are used by NL affiliate</p>
3. Source 100% renewable power	<p>Currently in discussion with property manager to establish means to supply office (clarification required from HQ on best practices re: Guarantees of Origin & “green”-ness of electricity)</p> <p>As there are no production facilities in NL, the office is the only consideration in this section</p>
4. All cars in NN to be 100% battery electric or plug-in hybrid by 2030	<p>All new leases starting from October 2021 to be electric cars – will meet 100% EV goal by 2025</p> <p>Charging stations installed at office parking lot & option to install car charger at home available</p> <p>Periodic CO2 calculation conducted to measure difference in emissions as car-fleet undergoes transition</p>
5. Zero CO2 emissions from flights	<p>Currently discussing strategies to achieve 2025 goal of 50% reduction</p> <p>Relevant & taken into consideration by management – high priority</p> <p>CO2 measurements to be conducted to see where flight reduction can have the most impact</p>

Supporting

EMP Points	Progress
6. Green distribution of products including planning/ordering in time	New BeNeLux Hub (distribution & warehousing for NL, BE/LUX affiliates) is centrally placed, running on green electricity and provider has promised to update transportation fleet to green standards (Euro6 or better engines)
7. Meetings and events follow global guideline	TBD
8. Establish recycling and re-use system	<p>Waste separation in office in place – no plastic utensils/cups in office</p> <p>Discussions to work with NL pharmacies to increase awareness on proper disposal of our products (and by extension, medical products in general)</p>
9. Develop governance that drives progress towards zero environmental impact	<p>C40 goals considered & adopted by NL management – easy line of access to management team from local environmental officer (NKIU)</p> <p>GM signed off on mid-2021 EMP</p> <p>“Green Team” not a strict group – relevant employees are asked to help with projects where they are relevant & outcomes have been successful</p>
10. Educate in Circular for Zero & Circular Economy	<p>Internal email sent out every 3 weeks highlighting achievements, news in environmental sustainability & calls to action</p> <p>Planning circular economy seminar to illustrate the benefits of such a transition (high level knowledge to open later, in-depth discussions/education)</p> <p>“Circular for Zero Academy” and “Onboarding” TBD – must be discussed with management</p>

Behavioural

EMP Points	Progress
11. Strategic anchoring at management level	In place – Project Manager Sustainability (NKIU) has access to management team & mandate to discuss, plan & bring initiatives into action
12. Circular for Zero integrated in individual departments	TBD

13. Projects have clear targets and progress is measured	<p>CO2 emissions from operations for Dutch affiliate estimated for 2019, 2020 & 2021</p> <p>Targets are clear and discussion regularly occur on the topics of strategy, implementation, and results</p>
14. Employee engagement and communication beyond local reach	<p>Sustainability Network in place to discuss projects across regional affiliates (as of October 2021)</p> <p>External communications already sent out (LinkedIn) & more are planned for 2022</p>

In short, NN Netherlands is well equipped to accomplish the points above by the deadlines provided by HQ. In 2022, with the finalization of the EMP process, concrete plans will be put in place to maximize the change process' efficiency and allow for a measure of reflection & improvement in the following years. The following sections will detail specific results for the aforementioned projects: the conversion of our supply chain to green energy and more "green" business practices, the conversion of our office building to green energy, car-fleet electrification, flight-reduction strategies, and communication, both internal and external.

1. Supplier Transition to Renewable Energy

1.1 Setting Targets for the Local Affiliate

Novo Nordisk aims to convert all our 60,000 suppliers to green electricity by 2030, with the goal achieving a zero-carbon value chain by 2045. Locally, we aim to accomplish these goals with the suppliers that we use in the Netherlands.

In the last half of 2021, we began this process by reaching out to our top 6 suppliers (in terms of spend and predicted CO2 output relative to their industry). These suppliers included two printing companies, three marketing/content-production companies, and a health-care information, service, and technology company³. There were varying degrees of success in these discussions, but none of them resulted in failure or lack of progress.

1.2 Results for the Local Affiliate as of End 2021

Company	Date of 1 st Discussion	Results
Okay Color	14-9-21	<p>First meeting a successful introduction, promised to go back to green energy. Only use FSC labelled paper.</p> <p>Follow-up discussion: Requested a timeline from supplier with December 22 deadline</p> <p>22-12-21: Timeline with strategy & initiatives presented.</p>
Print2Pack	4-10-21	<p>Awaiting more information as of 1-11-21</p> <p>Office/Warehouse part of multi-company organization; they are creating a plan for joint environmental transition</p>
Cross Media Nederland	8-11-21	<p>Environmental sustainability high on agenda in 2021 than it was in earlier years</p> <p>Mapping materials & vendors to strategize a carbon reduction project</p> <p>Promised environmental sustainability plan by early 2022</p>
Medical Digitals	15-11-21	<p>Purely digital organization – electricity main source of CO2 emissions</p> <p>Moving offices in 2022, planning on moving to an office with zero carbon emissions</p> <p>Organization promised to look at other carbon reduction/waste-reduction initiatives</p>
Lemm en Ten Haaf	9-11-21	<p>Small company with paperless office, LED lighting, waste-separation, hybrid car-fleet with EVs in discussion</p>

³ Okay Color, Print2Pack, Cross Media Nederland, Medical Digitals, Lemm en Ten Haaf, and IQVIA respectively.

		<p>Source printing companies with FSC labels</p> <p>Looking into sourcing green electricity and aim to accomplish in coming year</p>
IQVIA	21-9-21	<p>Talk 1 with Local Affiliate: Not a lot of information received other than a promise that sustainability was “high on agenda” – put NL affiliate in contact with head of CSR for global organization</p> <p>Talk 2 with global head of CSR: Promised to deliver “science-based targets” by end of 2023 with aims in CO2 reduction mandated by global organization for all affiliates. This includes conversion to renewable energy in all offices.</p>

1.3 [Actions Going Forward](#)

Action	Purpose
Periodically follow up with contacted suppliers	Measure progress of their sustainable transitions; keep rapport high
Identify next group of suppliers & contact them	Keep up momentum; continue transition toward 2030 goal
Certify existing “green” suppliers with COUPA	Validates “green spend” for affiliate and region
Certify newly “green” suppliers that are a result of these discussions	Validates “green spend” for affiliate and region; shows progress/result of project
Communicate the company goals externally	Suppliers must know that this is a high-priority project for NN (globally & locally)

2. Building Transition to Renewable Energy

2.1 Setting Targets for the Local Affiliate

Our goal for the office is to have green, renewable electricity within the next year (deadline: end 2022). We are currently in discussion with the building owner to decide the course and strategy of this transition. There have been setbacks due to questions regarding the validity of “Guarantee of Origin”⁴ schemes (“GvO” in Dutch context) and its short-term/long-term potential.

In addition to supplying the NL office with green electricity, energy reduction initiatives, such as more energy efficient equipment, within the office will be investigated to minimize CO2 production as much as possible.

2.2 Results for the Local Affiliate as of End 2021

As of the end of 2021, we have not yet achieved the supply of renewable energy to the office. In 2019, our base year, the energy used in the office for Novo Nordisk operations amounted to 96 tons (96.000 kg) of CO2. We should see a considerable reduction in this CO2 output after we transition to green energy.

2.3 Actions Going Forward

Action	Purpose
Clarify legitimacy of “Guarantee of Origin” scheme	Need information to make decisions regarding transition to renewable energy
Decide on a plan of action in the (very) near future	Convert office to renewable energy; cannot be “hypocritical” when we tell suppliers to do the same
Investigate CO2 reduction initiatives in office	Supplement the reduction of CO2 from the energy conversion strategy

⁴ More information on “Guarantee of Origin” scheme can be found here: [Renewable Energy Guarantees of Origin | AIB \(aib-net.org\)](https://www.aib-net.org/en/renewable-energy-guarantees-of-origin)

3. Car-fleet Electrification Initiative

3.1 Setting Targets for Local Affiliate

At the Netherlands Affiliate, we are on track to accomplish the 100% Electric Vehicle (EV) transition by the 2025 goal set by HQ for the North-West Europe Region. As of October 2021, all new lease contracts signed by Novo Nordisk employees in the Netherlands will be EVs. As contracts expire after 3-4 years, this means that by December 2025, we will have a car-fleet that consists only of EVs. Seeing as this target will very likely be reached without much further input, the next targets that are set are based in CO2 minimization and change-management. In those respects, the goals for 2022 and onward are to maintain the smooth transition of the car-fleet to EVs, lower the kilometers driven by employees to further minimize CO2, and to educate employees on the value of this transition so that reluctance and doubt are minimized.

3.2 Results for the Local Affiliate as of End 2021

Overview of Results:

The table below shows the results of our CO2 calculations based on the kilometers driven by a given vehicle for the respective year. These vehicles were categorized into size and the type of fuel used (Diesel, Benzine, Electric, Hybrid) to find an emission factor specific to the Netherlands⁵. The sums of the CO2 emissions per year are represented below in the row "CO2 Emissions (tons)". Included in the table is a prediction for 2025, should we achieve a 100% EV Car-fleet and if we are to drive the same number of kilometers as 2019.

Table: Car-fleet CO2 Emissions, KM Driven, and % of KM Driven by EVs

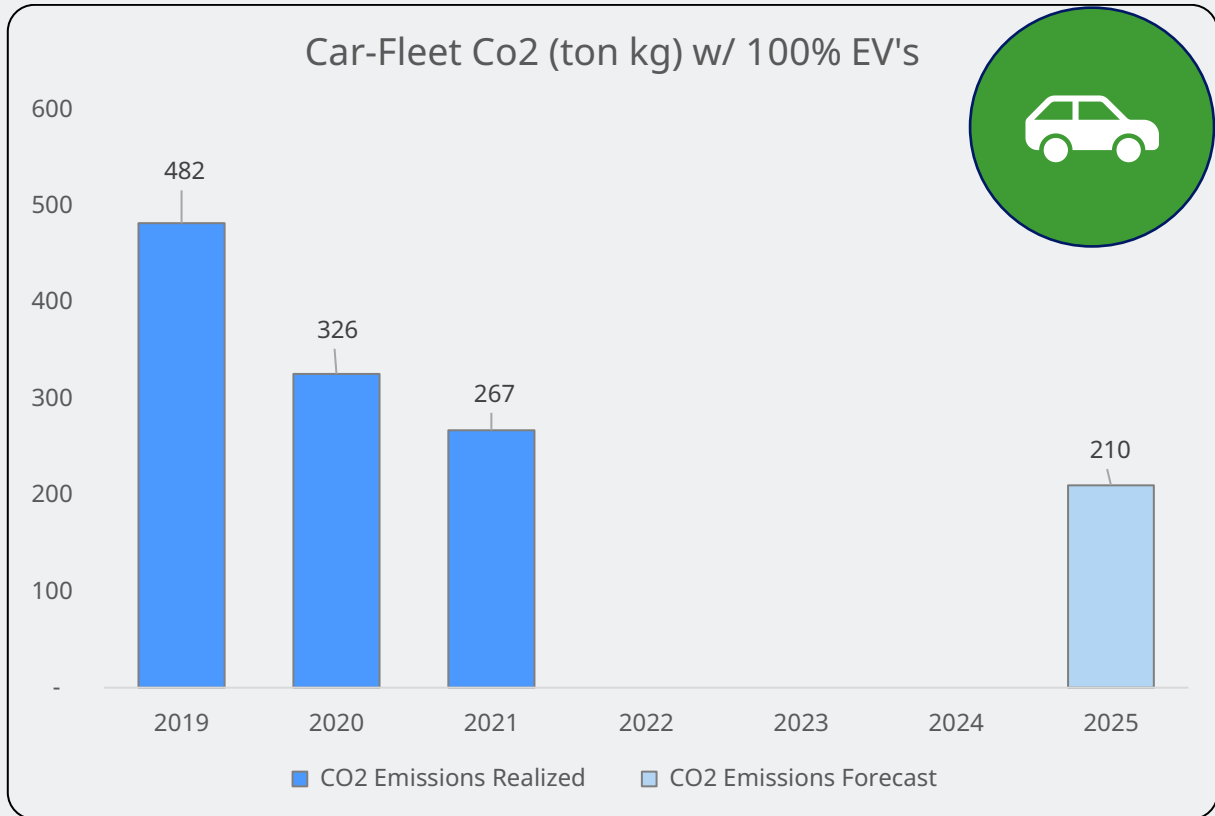
Year	2019	2020	2021	2022	2023	2024	2025*
CO2 Emissions (tons)	482	326	267				210
KM Driven	2.745.000	1.739.000	1.362.000				2.745.000
% of KM Driven by EVs	13	19	12				100

**Prediction of CO2 emissions with 100% EV Car-fleet and kilometers driven same as 2019 baseline*

As can be seen, CO2 emissions from our car-fleet have steadily decreased between 2019 and 2021, though this is in large part due to the COVID-19 pandemic which has reduced our mobility due to lockdowns and safety requirements. Though this may be an anomalous event, it provides a valuable lesson in the value of hybrid working; working partially from home and partially from the office can have significant effects on CO2 reduction. Seeing this, policy implementation regarding hybrid working should be investigated to maximize CO2 reduction and the impact of our environmental sustainability agenda.

⁵ Found here: <https://www.co2emissiefactoren.nl/lijt-emissiefactoren/>

Below, a graphic representation of the table above is provided. If we reach 210 ton-kg CO2 emissions by 2025, then our goal will be accomplished, though the optimal strategy will see this number reduced further, with potential to fall below 180 ton kg in 2025 if we drive the amount of KM equal to the midpoint of 2019 and 2020 (2.241.685 km).



3.3 Actions Going Forward

Action	Purpose
Communicate benefits of EV transition	Change-management; positive perception
Communicate necessity of transition & related goals	Change-management; positive perception; sense of urgency
Periodically measure CO2 reduction	To measure progress, enable comparison; identify areas of improvement
Research tools to improve quality of life (e.g. route planners with charging stations)	Change-management; enable a smoother transition for employees
Continue hybrid work-from-home/office	Lower KM driven and, consequentially, lower CO2 emissions

4. Flights Reduction Initiative

4.1 Setting Targets for the Local Affiliate

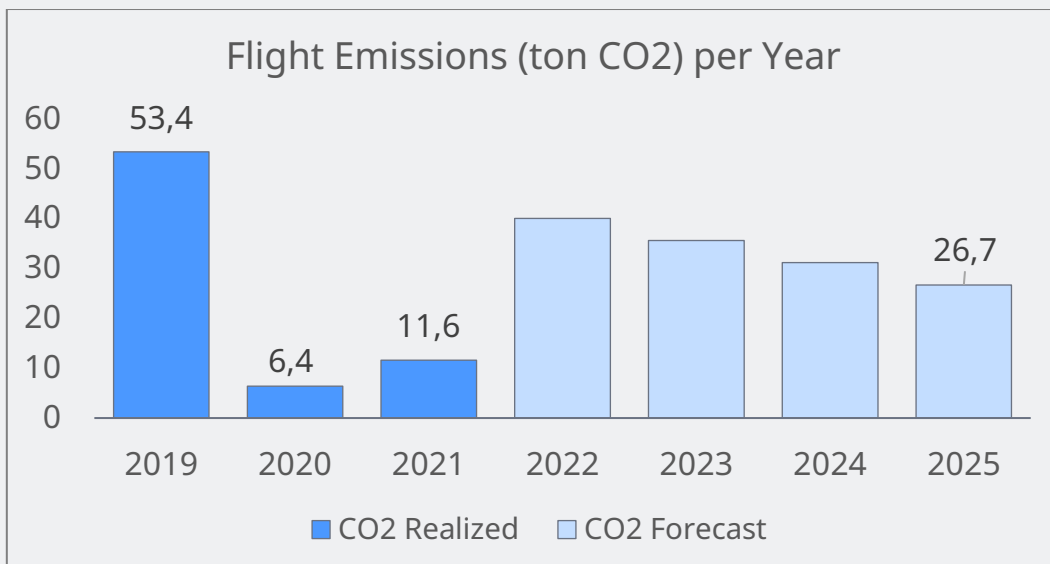
On a global level, the current target for flight-reduction is 50% by 2025 and a zero-carbon flight policy (worldwide) by 2030. In the Netherlands, we are currently on track to meet these targets.

Locally, we aim to meet these goals, starting and focusing on reducing our flights by 50% by 2025. Aware of the challenges that this goal is going to come with, we aim to discuss with our local employees, and the international organization, the best way to implement these reduction strategies without harming our business objectives nor the company culture. To do so, we aim to set up round-table discussions and personal interviews so that we may be able to categorize flights by range of personal, business, and cultural importance (whether it is an internal networking event, an important business meeting, or a yearly industry conference). If we can achieve the proper level of change-management, this transition should come smoothly and with minimal impact on our business objectives as a company.

4.2 Results for the Local Affiliate as of End 2021

The North-West Europe Region has seen an 88% reduction in flights in 2021 as compared to 2019, due to COVID-19 restrictions and an increased ratio of online-meetings compared to air-travel⁶.

Locally, between 2019 and 2020, there was an 88% reduction in our CO2 emissions due to the COVID-19 changes. In 2021, the Dutch affiliate took 132 flights, for a total of 69.256 KM flown. This amounts to 11.611 kg CO2. Compared to 2019, this is a 78% reduction in CO2 emissions. As business began to accelerate once again after the heavy lockdowns of 2020, we took 17 more flights in 2021 than in 2020, accounting for that 10% increase in CO2 emissions. A visual representation (including forecasts of CO2 emissions with gradual reductions in flights for “normal” years) can be seen below:



⁶ As communicated by NN HQ

4.3 Actions Going Forward

Action	Purpose
Measure CO2 from flights consistently in the following years	To compare to 2019 & 2020; Transparency and progress measurement
Host interviews & roundtables with local employees	Gain information on motivations, priorities, and change-management opportunities
Assist global team in refining flight tracker for affiliates	Help create a more standard measuring system that benefits all affiliates
Mandate flight reduction where possible	Increased reduction in flights & CO2
Increase capacity to hold meetings online instead of through travel	Increased reduction in flights & CO2
Consider incentivization scheme (personal or affiliate level)	Increased reduction in flights & CO2

5. Communication

5.1 Setting Targets for the Local Affiliate

Communication in the Dutch context is broken down into two scopes: internal and external. Our internal communication goals are to inspire NN employees to conduct sustainable business with pride in the organization, educate NN employees on the benefits of sustainable change, and allow for better change-management practices through changing values from “business as usual” to this new environmental strategy. External communication is a more complicated project as there are multiple stakeholders to address (lawmakers, patients & patient organizations, HCPs, etc.). Through future external communication, we aim to increase public support for Novo Nordisk in the Netherlands by showing our commitment to social responsibility and the well-being of our planet. We also aim to inspire the pharmaceutical industry, and all the industries that are tied to us in our value chain, to become environmentally sustainable, by leading the charge ourselves. These goals cannot be achieved if we do not outwardly express our strategies, goals, progress, and results. Through our external communication, we also aim to increase market access by proving that we are a reputable, trustworthy organization; something that has been lacking with the general perception of the pharmaceutical industry.

5.2 Results for the Local Affiliate as of End 2021

Internal communication has begun, with a newsletter outlining updates in our environmental efforts and relevant news on the topic being sent out every three weeks. Feedback from colleagues show that these newsletters are welcome, though readership could be higher. This will be a continuing project in 2022.

5.3 Actions Going Forward

Action	Purpose
Establish & implement education for employees on Circular for Zero	Accomplish Goal 10 on EMP; Foster pride in NN employees; conversational communication (in day-to-day life)
Develop more internal communication	Change-management in flight-reduction & EV transition
Develop survey to measure readership of internal Circular for Zero newsletter	Identify information that employees find relevant, interesting, or useful
Develop & initiate external “core message”	Reach key stakeholders to foster support for NN & for our social responsibility projects
Plan and execute interview with “Okay Color” (print supplier)	Externally communicate the success of our supply-chain sustainability program and use that to foster further support

Concluding Remarks

The Netherlands affiliate of Novo Nordisk NL has made steady and significant progress in this first year of our Circular for Zero implementation strategy. We have installed a car-fleet policy that will result in a 100% EV car-fleet by 2025. We have initiated our project to convert our suppliers to renewable energy with many early signs of success. We have stressed the importance of flight reduction, even after the drop caused by COVID-19, to meet the 2025 goals. We have begun negotiations for the office's conversion to renewable energy. And, we have begun work to develop a comprehensive communication plan that will inspire both internal and external stakeholders toward the end of positive environmental change.

There is still much work to be done before we can call ourselves a circular company, but with transparency, diligence, and commitment, Novo Nordisk NL is on its way to achieving the goals that were set. We have the capability to go beyond these goals, to lead by example, and to inspire change; but to do so, we must focus on our social responsibility, to our planet and to the people we inhabit this planet with. In 2022, with the foundation of the Circular for Zero strategy in place, we are at liberty to not only continue our projects, but to start new ones, to build upon the progress that we've made, and invite industry partners to take part in this necessary action. Novo Nordisk can make significant and positive social change, and this is just the beginning of the long, yet massively important process.

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