novo holdings

Investing to benefit people and the planet

Responsible Investment Report 2023

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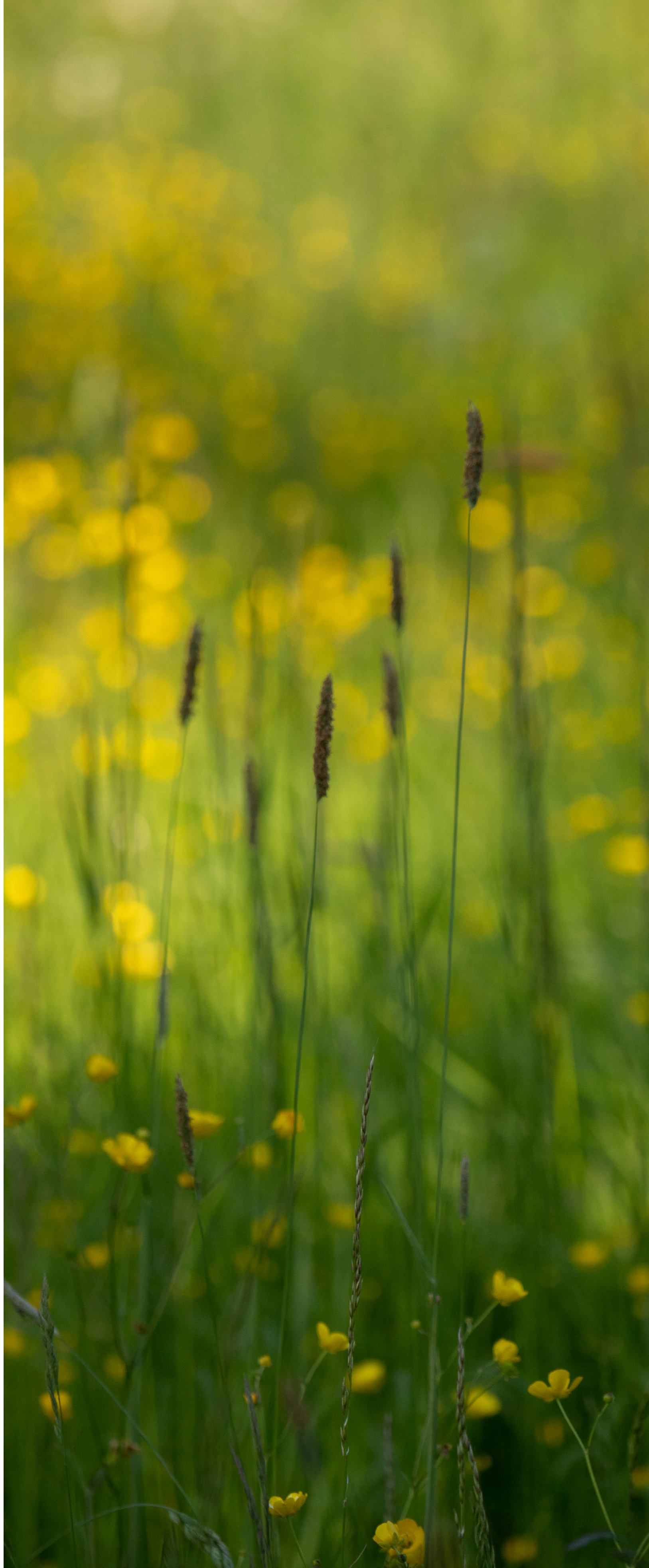


Letter from the CEO

I am pleased to present Novo Holdings' Responsible Investment Report for 2023 which illustrates our commitment to sustainability and responsible business practices.

Novo Holdings is owned by the Novo Nordisk Foundation – a Danish enterprise foundation with a long-standing commitment to improving healthcare and supporting scientific innovation. Rooted in this commitment, Novo Holdings strives to create long-term economic value while contributing positively to human health and the health of our planet.

Our sustainability efforts are intertwined with our commitment to improving global health outcomes and addressing unmet medical needs. By the close of 2023, our investments in the life sciences comprised 51% of our total investment assets, amounting to DKK 103 billion (EUR 14 billion). Through our investments and engaged ownership approach, we contribute to the development of innovative therapies and diagnostic solutions aimed at addressing pressing medical challenges. This year, our Ventures Investment team celebrates its 25th anniversary, underscoring our long-term dedication to innovation in the life sciences.

As part of our recently launched Strategy 2030, we have committed to accelerate the green transition. By 2030, we aim to allocate 10% of our total investment funds to technologies and infrastructure supporting the green transition. As one of two anchor investors, we engaged in the establishment of Glentra, a new investment firm dedicated to accelerating the energy transition, which received an initial total commitment of DKK ~3.3 billion (EUR ~440 million) in september 2023. Glentra focuses on growing companies leading renewable energy development, including offshore and onshore wind, solar, sustainable fuels, energy storage, and electric mobility.

Our Bioindustrial Investments team is further championing innovative companies whose inventions, many of which are rooted in biology, are designed specifically to provide solutions with a reduced environmental footprint compared to conventional technologies. These innovations include leather-like fabric crafted from fungi, bricks created by microorganisms, and industrial textiles made of bioengineered spider silk. Each of these solutions shares a common goal: efficient resource utilisation and minimised environmental impact.

As the controlling shareholder of Novozymes, 2023 marked a significant milestone for Novo Holdings, culminating in the merger between Novozymes and Chr. Hansen, which closed in early 2024. This merger creates an industrial biosolutions powerhouse, Novonesis, leveraging the capabilities of industrial enzymes and microorganisms to tackle pressing environmental challenges.

"By 2030, we aim to allocate 10% of our total investment funds to technologies and infrastructure supporting the green transition."

I am proud that the financial results of the Novo Group companies and the returns of Novo Holdings' investments have made it possible for the Foundation to award over DKK 7.7 billion in philanthropic grants and investments in 2023, supporting 751 new projects. This reflects the Foundation's commitment to advancing healthcare and scientific innovation.

In this report, you will learn about our responsible investment approach both to new investments and existing portfolio companies. We are committed to creating attractive returns and contributing to a more sustainable future, and I hope you will continue to follow our efforts as we deliver on our mission to invest for the benefit of people and planet.

Sincerely,
Kasim Kutay
Chief Executive Officer

2023 Impact highlights

Novo Holdings invests for the benefit of people and planet:

Human health

DKK 81 bn
(EUR 11bn) invested in healthcare by year-end 2023

121
healthcare companies in our portfolio by year-end 2023 (22 new healthcare companies in 2023)

12
companies invested in through the REPAIR Impact Fund to combat antimicrobial resistance by year-end 2023

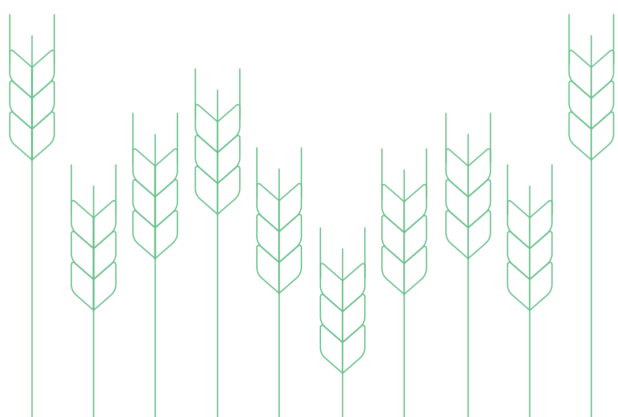
253
patents granted to our portfolio companies in 2023

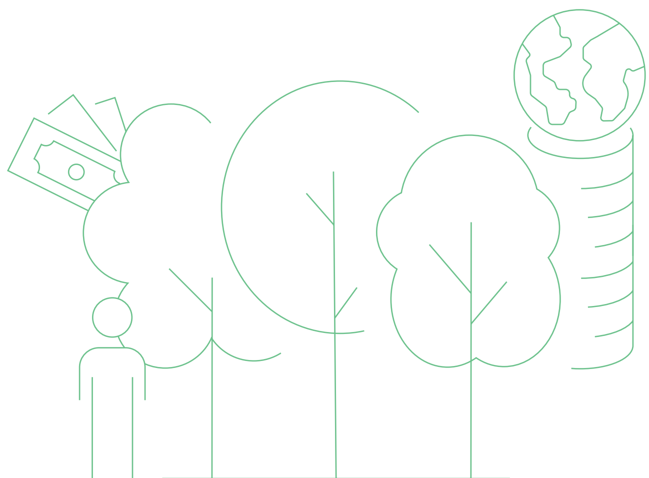
Planetary health

DKK 1.8 bn
(EUR 241m) committed to invest in renewable energy infrastructure in 2023

DKK 4 bn
(EUR 536m) invested in bioindustrial companies by year-end 2023

23
bioindustrial companies in our portfolio by year-end 2023





Our business model

Our purpose To improve people's health and the sustainability of society and the planet by generating attractive long-term returns on the assets of the Novo Nordisk Foundation.

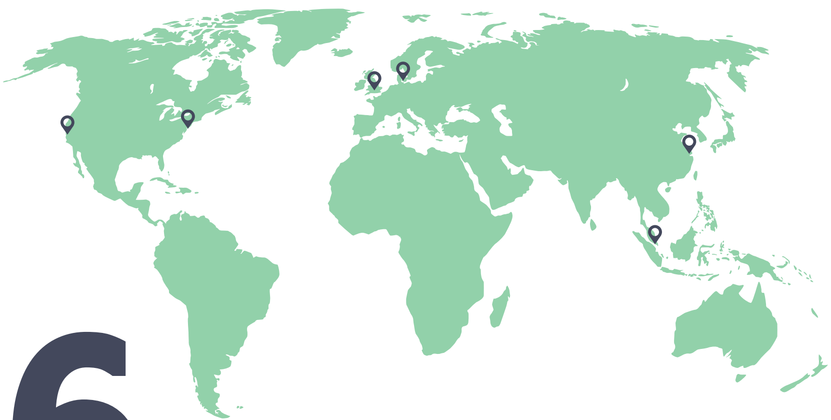
178

Global employees

5-year average return on the Investment Portfolio*

10.1%

*The Investment Portfolio excludes Special Investments, which comprise investments that are made at below market return targets (eg, impact investments), and assets that are held for NNF strategic purposes. Including all assets, the Total Investment Return is 8.1%.



6 offices*

*The offices in US, UK and Asia are providing certain advisory services to Novo Holdings A/S, mainly within the areas of identifying and analysing various investment opportunities among life sciences companies in the US, UK and Asia as well as certain follow-up activities related thereto, such as board memberships, financial control and reporting efforts.

170

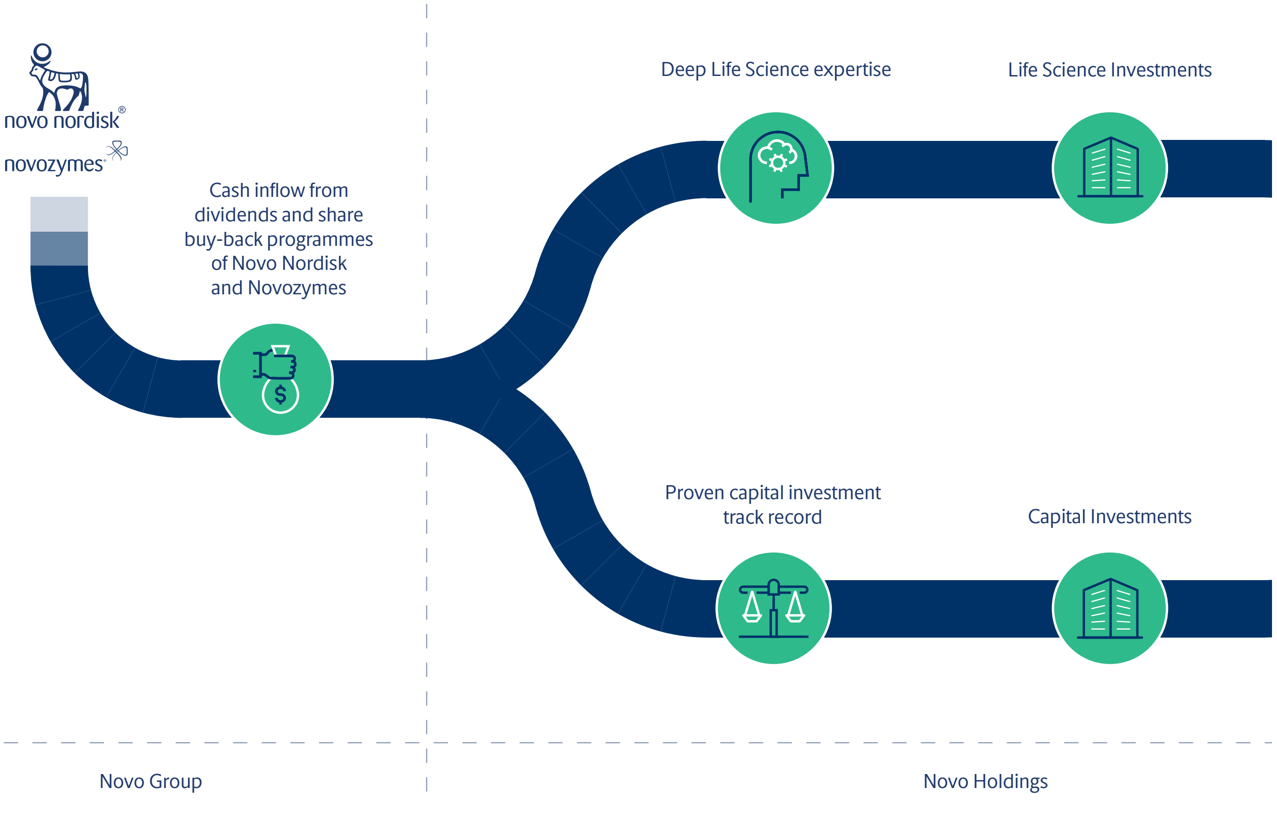
Portfolio companies

DKK 1,114 bn
(EUR 149bn)

Total Assets under Management

Novo Holdings is a holding and investment company that is responsible for managing the assets and wealth of the Novo Nordisk Foundation, one of the world's largest enterprise foundations with philanthropic objectives. The Foundation's mission is to progress research and innovation in the prevention and treatment of cardiometabolic and infectious diseases, as well as to advance knowledge and solutions to support a global green transition.

Novo Holdings is the controlling shareholder of Novo Nordisk A/S and Novozymes A/S[1] (the Novo Group companies) and manages an investment portfolio, with a long-term return perspective. The financial results of the Novo Group companies and the successful investments of Novo Holdings enable the Foundation to continue to increase its grant-giving activities. In 2023, the Novo Nordisk Foundation awarded over DKK 7.7 billion (EUR 1.03 billion) in grants* focused on improving the lives of people and the sustainability of society and the planet.



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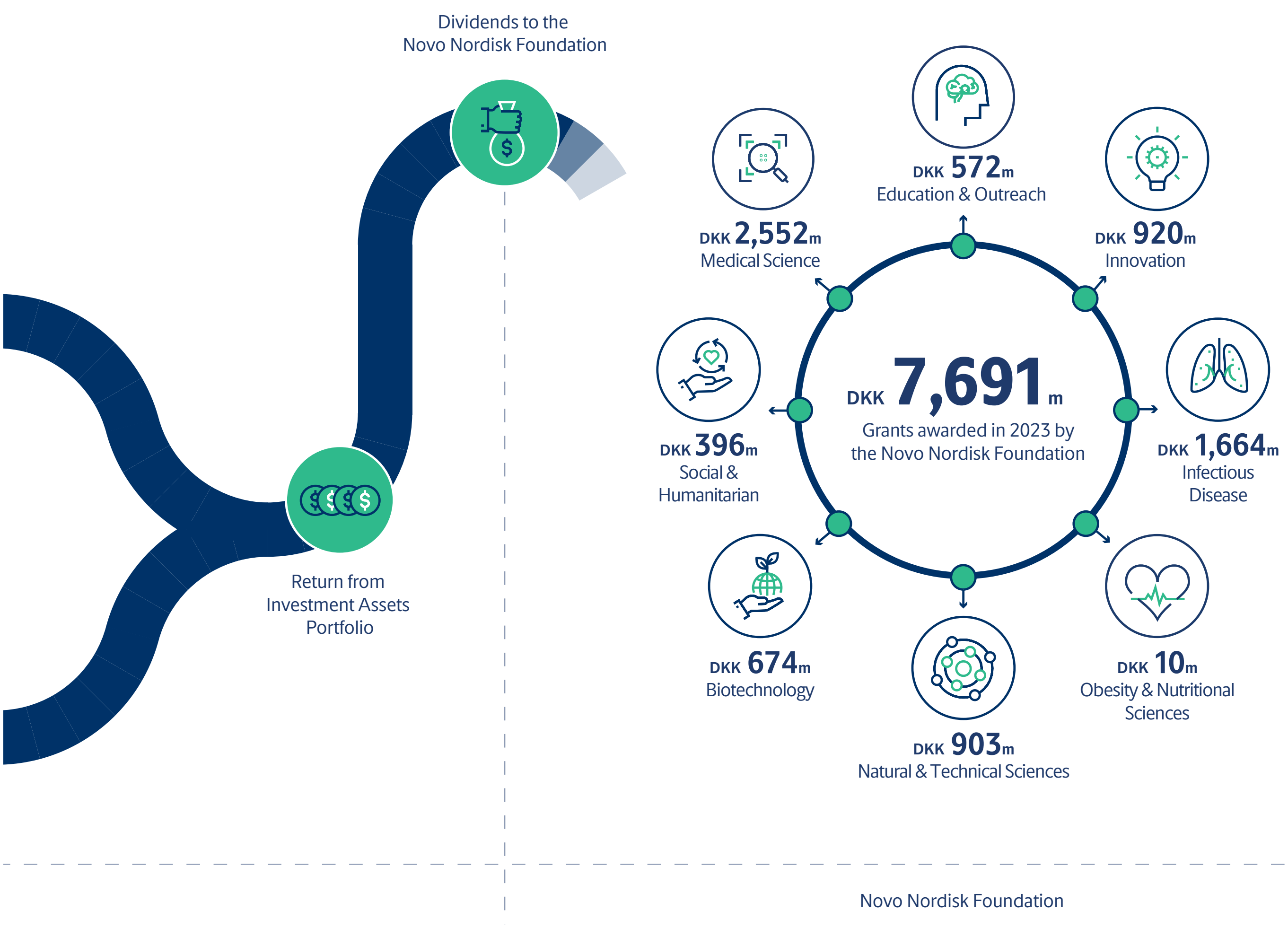
[1]On 29 January 2024, it was announced that the merger of Novozymes and Chr. Hansen was successfully completed with the continuing name Novonesis.
* Excluding philanthropic investments


Dividends to the
Novo Nordisk Foundation
Return from
Investment Assets
Portfolio
DKK 7,691 m
Grants awarded in 2023 by
the Novo Nordisk Foundation
DKK 572m
Education & Outreach
DKK 920m
Innovation
DKK 1,664m
Infectious
Disease
DKK 10m
Obesity & Nutritional
Sciences
DKK 903m
Natural & Technical Sciences
DKK 674m
Biotechnology
DKK 396m
Social &
Humanitarian
DKK 2,552m
Medical Science
Novo Nordisk Foundation

Investment strategy

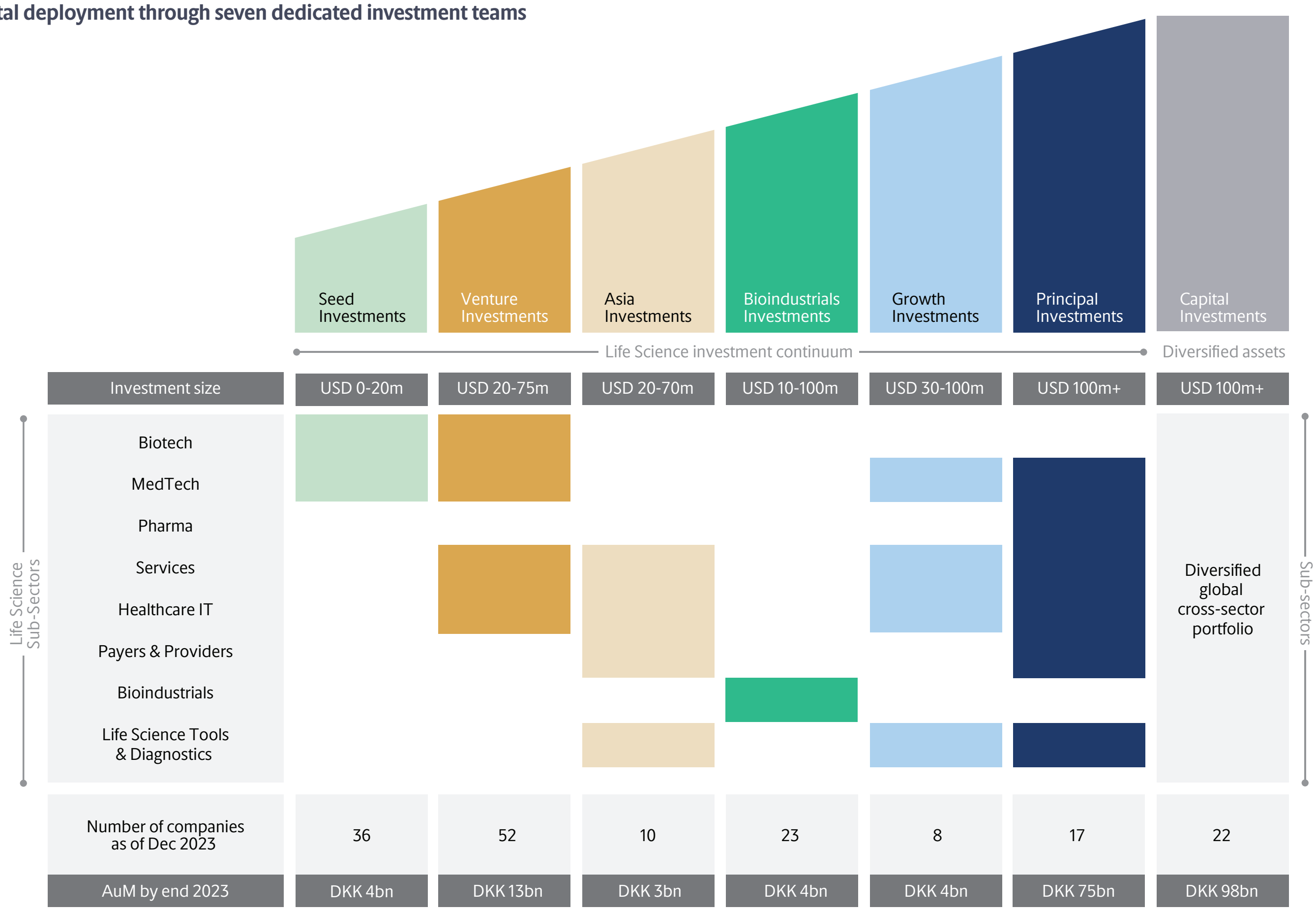
Novo Holdings' assets include the Novo Group companies and the investment portfolio. Our investment portfolio consists of:

1. Life Science Investments in privately owned and publicly listed healthcare and bioindustrial companies, where we can leverage our Novo heritage and deep-rooted insights. From early-stage investments in groundbreaking therapies to late-stage financing of transformative technologies our portfolio spans the entire life sciences investment continuum. Having been a life sciences investment firm for nearly 25 years, we are using our legacy to improve global health and innovation. During 2023, we expanded our efforts by increasing our presence in Asia and establishing a dedicated Bioindustrial investment team to support the growing ecosystem of biosolutions.

2. Capital Investments across asset classes including public equities, fixed income, private equity and real assets both through specialist portfolio managers and direct investments. Through Capital Investments we diversify and expand our investment space, including renewables and clean infrastructure.

At year-end 2023, 51% of the Investment Portfolio was allocated to Life Science Investments and 49% was allocated to Capital Investments.

Capital deployment through seven dedicated investment teams



In this report, we refer to three main investment categories to reflect our responsible investment practices of our portfolio:
Early Stage: investments in life sciences companies in the seed and venture stages, also includes publicly listed investments in the biotech, medtech and digital health sectors.
Growth & Late Stage: investments in life sciences companies in the growth and buyout stages, including publicly listed equities in the life sciences sector.
Capital Investments: refers to our collected diversified portfolio of assets.

Our Responsible Investment approach

Novo Holdings aspires to be a leading responsible investor, recognised for delivering strong financial returns and positive societal impact. Our aspiration is underpinned by three strategic objectives that guide our responsible investment approach:

Health

Objective

- Provide more people with better treatments to improve health in society.

Commitment

- Allocate a significant part of our investment portfolio to life science investments through 2030.

Strategic focus

- Invest in the development and improvement of therapies, treatments and health technologies.
- Invest in companies contributing to increased quality, improved efficiency, or lower costs for healthcare solutions.
- Contribute to building the Nordic life science ecosystem and target antimicrobial resistance.

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3 GOOD HEALTH AND WELL-BEING
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Planet

Objective

- Contribute to the green transition.

Commitment

- Allocate 10% of investment funds to the green transition by 2030.
- Set 2030 emission reduction targets that are aligned with the Science Based Targets initiative (SBTi)[2].

Strategic focus

- Invest in the development of bioindustrial solutions that support the efficient use of natural resources in agriculture, food, alternative materials, and chemicals.
- Invest in projects, which reduce greenhouse gas (GHG) emissions and enable the use of renewable energy.
- Reduce GHG emissions across our operations and investment portfolio.

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12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

People

Objective

- Create responsible and diverse workplaces.

Commitment

- By 2027, all boards with Novo Holdings representation shall include at least 40% of members from the underrepresented gender or diverse backgrounds.

Strategic focus

- Build, scale and futureproof innovative companies providing healthy, safe and attractive workplaces.
- Increase diversity in business leadership.
- Support portfolio companies on their ESG journey.

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8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES

[2] The SBTi develops standards, tools and guidance which allow companies to set GHG emissions reductions targets in line with what is needed to reach net-zero by 2050 at the latest.

Policy & principles

Responsibility is at our core

Responsibility is core to our heritage. Novo Nordisk, one of the companies in the Novo Group, of which we are the controlling shareholder, was among the first to implement the Triple Bottom Line (TBL) framework into its Articles of Association. This framework holds companies accountable for their social, environmental, and financial performance and creates a foundational legacy for our approach as an investor. Integrating societal impact and ESG practices into our investment strategy, processes, and engaged ownership activities enables us to make better investment decisions and create long-term sustainable value.

Our approach to responsible investment is guided by our Responsible Investment Policy. This policy is approved by the Board of Directors of Novo Holdings and is reviewed annually. In daily operations, our Head of Sustainability & Impact provides oversight of its implementation, while the Novo Holdings Leadership Team is responsible for integrating its principles into daily business activities.

The Policy includes responsible investment principles for the full investment lifecycle:

1. Our investments: we favour investments with positive societal impact.

2. Our investment approach: we aim to create long-term sustainable value and to mitigate risks through our investment processes.

3. Our engaged ownership: our investment comes with an engaged and supportive approach to companies, their boards and management teams. We encourage companies to prioritise societal impact and ESG measures, and we monitor and guide their progress.

4. Our exclusions: we exclude investments in certain industries, such as weapons in breach of international treaties or conventions, tobacco, adult entertainment, cannabis for non-medical use, gambling, predatory lending, fossil fuels and palm oil.

5. Partnerships: we collaborate with international institutions to promote responsible investment practices, transparency, and sustainability standards. Among others, we are committed to the United Nations–supported initiatives Principles for Responsible Investment (PRI) and United Nations Global Compact.

Integrating ESG in the investment process

At Novo Holdings, we integrate ESG throughout the investment process, from investment strategy through pre-investment and ownership. The process is specifically tailored to each stage along the investment continuum:

Responsible investment priorities in investment process		Life Science investments: Early Stage	Life Science investments: Growth & Late Stage	Capital Investments
Investment strategy	Improve health	•	•	
	Support green transition	•	•	•[3]
Pre-investment	Investments subject to exclusion list	•	•	•
	ESG due diligence checklist completed	•	•	•
	ESG due diligence informed by site visits, third-party consultants and/or management interviews		•	•
	ESG risks and opportunities included in investment proposals	•	•	•
Ownership	ESG measures coupled to value-creation planning		•	
	Promotion of engaging & responsible workplaces and development of diversity in business leadership	•	•	•
	Board mandates used to promote ESG	•	•	•
	Voting at annual general meetings (public companies only)	•	•	•
	Monitoring of progress through annual ESG survey and data collection	•	•	•
	Semi-annual ESG risks screening aided by external ESG data			•

Investment strategy: investing for positive societal impact

As a life sciences investor, we have a unique opportunity to drive positive societal change by supporting companies that are addressing unmet medical needs or sustainability challenges with their products or services. Not only are these companies working for a common greater good, but they also represent attractive investment opportunities. With this philosophy embedded in our investment strategy and strongly linked to our legacy, purpose, and life sciences expertise, we are well-positioned to invest in human and planetary health. Specifically, we create positive societal impact by investing in innovation-led businesses offering solutions and services to healthcare, the efficient use of natural resources, and the green transition. Societal impact is an integral part of our investment strategy, and we aim to further build and sophisticate measures to demonstrate the positive impact to which our investments contribute.

[3] Allocation to green transition through Real Asset programme.

Pre-investment: uncovering material ESG topics

Before investing, we assess how a company is managing current and potential ESG risks and opportunities associated with its business practices. Our due diligence is tailored to capture ESG aspects that are material to the specific type of investment, the maturity of the company or asset, and our ability to impact its business practices. Material ESG aspects are defined as factors that may reasonably be considered important for reflecting the company's or assets' economic, environmental, and social impacts, or influence stakeholder decisions.

Below is an overview of the ESG topics that guide our focus during due diligence, decision-making and engaged ownership activities. We align the topics with relevant standards and frameworks and made adjustments in 2023 to match the EU's Corporate Sustainability Reporting Directive.
Based on the ESG due diligence, the final investment decision will cover:

- The societal impact potential of the investment
- Material ESG-related risks and value creation opportunities for the company
- Future action points to be initiated and monitored through our engaged ownership activities.

Ownership: supporting the ESG journey of portfolio companies

We see opportunities for maximising the value of portfolio companies post-investment by integrating responsible business practices and sustainability strategies. In our view, working proactively with our portfolio companies to set higher ESG standards is essential to minimising risks and to realising the potential of our portfolio. At Novo Holdings, we support and advance the transformation of our portfolio companies by being an engaged owner, supporting and engaging our companies through board positions, dialogue with management teams, and voting on business critical ESG topics.

We are continuously working to systematically engage with our portfolio companies on ESG, and we aim to build a support model offering ESG onboarding, strategic sparring and access to resources, tools and network. For now, we adjust our support based on ownership share and company maturity. We specifically prioritise our mature, private companies with majority-ownership, where we focus on:

1. ESG maturity and management
2. Initiatives to map and reduce climate impact
3. Employee retention, engagement, and business ethics
4. Increased diversity in senior management and boards of directors.

We track ESG KPIs across our portfolio guided by EU sustainability regulation and standards such as the IFRS Foundation, the ESG Data Convergence Initiative and Invest Europe. We offer advice on ESG and share best practices with portfolio companies that seek to further develop their ESG initiatives.

Our partnerships

We collaborate with investors and institutions to advance responsible investment standards and practices, fostering transparency and sustainability across companies and financial markets. This involves engagement in:

UNPRI
We actively support the UNPRI, a United Nations-backed initiative guiding responsible investment principles. Our efforts align with the UNPRI's six principles.

United Nations Global Compact
As a member, Novo Holdings upholds the Ten Principles of the Global Compact, focusing on human rights, labour, environment, and anti-corruption. We also strive to contribute to the United Nations Sustainable Development Goals.

VentureESG
We participate in VentureESG, a community-driven initiative enhancing ESG practices in venture capital.

Biopharma Sustainability Roundtable
Novo Holdings engages in the Biopharma Investor ESG Communications Initiative within the Biopharma Sustainability Roundtable. This initiative addresses key ESG topics, fostering effective communication among leading biopharma companies and investors.

Novo Holdings' ESG journey

2018
- Adopted first Responsible Investment Policy
- Introduced ESG due diligence checklists

2019
- Published first internal Responsible Investment Report

2020
- Became UNPRI signatory
- Sourced external ESG data and ratings for investments in public companies

2021
- Established dedicated Sustainability function
- Defined strategic responsible investment objectives
- Joined United Nations Global Compact
- Developed ESG frameworks for external managers and private equity funds
- Conducted first ESG Survey covering private portfolio companies
- Launched ESG onboarding of new employees

2022
- Introduced yearly ESG reviews for existing late stage portfolio companies
- Developed ESG framework for real estate and infrastructure funds
- Refined ESG due diligence checklist for early stage companies
- Joined VentureESG and Biopharma Sustainability Roundtable

2023
- Committed to setting 2030 company-wide emission reduction targets
- Co-developed ESG data collection model with leading European life science venture investors targeted on early stage, life sciences companies
- Introduced ESG training for investment teams and business professionals

Priorities for 2024 and ahead

We consistently review our approach to responsible investing and build upon our learnings. In 2024, we will focus on:

- Submitting our 2030 company-wide emission reduction targets to the SBTi for validation.
- Strengthening our engaged ownership model for private companies through the development of refined value creation planning.
- Conducting internal ESG training sessions to enhance ESG integration in our investment decision-making processes and engaged ownership strategies.
- Enhancing our ESG data and digital capabilities to extract actionable insights and facilitate ongoing monitoring of ESG progress.
- Preparing for the upcoming EU regulation on Corporate Sustainability Reporting Directive (CSRD).

2023 ESG maturity insights

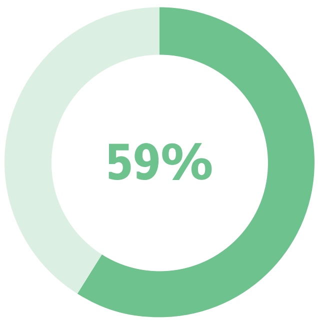
As part of our engaged ownership practices, Novo Holdings collects ESG data points from our private and public portfolio companies annually. 2023 data represents the third cycle of data collection across our portfolio, and the data enables us to monitor progress and target areas that deserve higher priority in the future.

While we do not require companies to have high ESG maturity at the time of investment, we do aim to see progress in their ESG performance during our ownership. We believe this will better enable them to integrate sustainability in their daily operations, manage topics material for their business model and meet future demands from their most important stakeholders. The data enable us to guide companies in identifying gaps compared to peers and propose opportunities for further development.

Based on 2023 data, we have observed a positive trend in the number of portfolio companies reporting on ESG and discussing these topics at Board meetings, enhancing our understanding of the businesses we own. However, the data also highlights the need for greater focus and guidance in setting company-specific ESG targets. As one example we will support companies in establishing climate targets aligned with SBTi during the coming years.

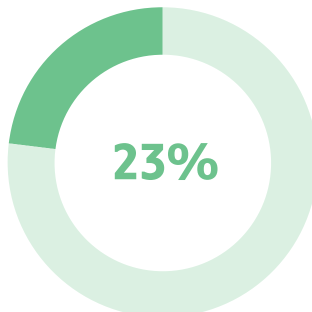
2023 snapshot of ESG maturity, Novo Holdings private portfolio companies

Private portfolio companies reporting on ESG KPIs



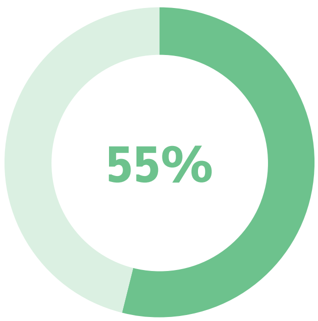
2022: 54%

Private portfolio companies that have set ESG targets



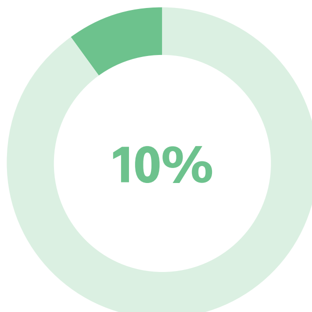
2022: 28%

Private portfolio companies having ESG on their Board of Directors' agenda



2022: 50%

Private portfolio companies that conduct Public ESG reporting



2022: N/A

Health

Healthcare investments to tackle unmet patient needs

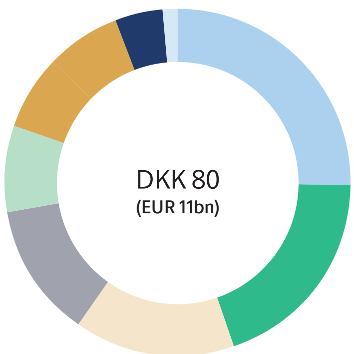
As a leading global investor in healthcare, we advance our purpose and expertise to improve people's lives. We invest across subsectors in the industry and focus on innovative companies developing new or improved therapies or solutions to increase quality, improve efficiency or lower costs for healthcare. We work closely with our portfolio companies to advance crucially important drug candidates and to ensure therapeutic products reach the people that need them.

We also focus on two key initiatives mandated by the Novo Nordisk Foundation. The first is to build the Nordic biotech ecosystem by providing capital, a network and know-how to transform promising life-sciences discoveries into successful biotech start-ups through Seed Investments. The second is to address the growing threat of antimicrobial resistance through the REPAIR Impact Fund.

Investment in FIRE1
Together with Andera Partners, Novo Holdings co-led an investment in FIRE1, a medical device solutions company dedicated to improving outcomes for people suffering with heart failure. Heart failure affects over 60 million patients worldwide and is the leading cause of hospitalisation in patients over 65. The proceeds will be used to accelerate the development of FIRE1's novel remote monitoring solution to reduce hospitalisations of patients with heart failure.

New financing round of Hemab
Novo Holdings participated in the Series B financing of Hemab, a clinical-stage biotech company developing prophylactic therapeutics for severe bleeding and thrombotic disorders for which there is limited access to effective preventive treatments today.

Healthcare Investment Portfolio by sub-sectors, end of 2023*



Life science services · MedTech · Biotech · Health Care IT · LP Investments · Tools & Diagnostics · Payers & Providers · Pharma

Investment highlights in 2023
At year-end 2023 Novo Holdings had direct investments in 121 healthcare companies. Of these, 22 companies were added in 2023, among others offering new solutions to tackle mental health, technologies and treatments targeting cardiovascular diseases and companies advancing cancer treatments, which remain a significant investment category for Novo Holdings.

Innovation contributions from portfolio companies in 2023

DKK 1,910
(EUR 256m) reported R&D expenditures

253
patents granted

101
active clinical trials

12,823
people enrolled in active clinical trials

*Total investments, excl. Novo Holdings Special Investments.

Health

Spot on ESG for early stage biotech

We invest in early stage biotechnology (biotech) and medical technology (medtech) companies through our Seed and Venture investments. Since these are typically small companies with limited personnel and operational footprint, our ESG approach is tailored to their specific needs.

Increasingly, early stage companies are met with reporting requests tied to investors, customers and regulations. While we encourage more information on ESG practices, we also acknowledge that standard ESG frameworks may not be fully applicable to early stage biotech companies, and that we as investors have a role in making the data collection as efficient as possible.

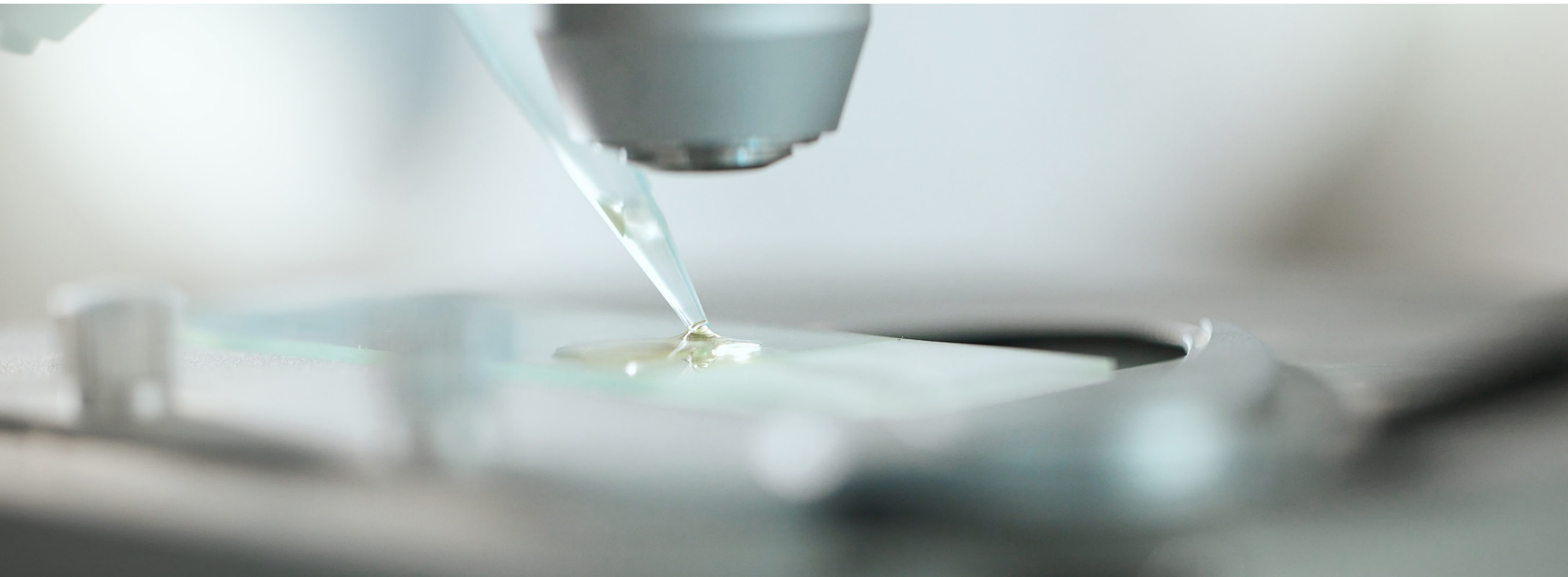
During 2023, Novo Holdings collaborated with 21 of Europe's leading life sciences venture capital (VC) firms, including Sofinnova and Forbion, to form The ESG Life Sciences Project. The initiative aims to harmonise and simplify ESG data collection by creating a singular coordinated ESG data collection model with a focus on the 500+ early stage, innovative companies we collectively support.

The data collection model is currently being applied for the first time. We anticipate that this initiative will eventually lead to a reduction in reporting burdens, better data quality and higher response rates from life sciences portfolio companies. Additionally, it will help prepare these companies for future expectations from employees, customers and investors regarding ESG practices.

Advancing new drug candidates against chronic neuropathic pain
Chronic neuropathic pain is a significant global health issue affecting more than 400 million patients worldwide. Neuropathic pain is a chronic disorder resulting from damage or dysfunction of the nervous system. Today, chronic neuropathic pain is primarily managed with antidepressants, antiepileptic drugs, and opioids. These medications modify pain perception and stabilise nerve cells, but their effectiveness varies widely among individuals, and they often fail to provide complete pain relief. Side effects, such as dizziness, tiredness, and addiction risks are major concerns and existing solutions are limited in that they generally do not target the specific causes of neuropathic pain.

While chronic neuropathic pain represents an enormous personal and economic burden, it has proven difficult to introduce new products on the market due to the complexity and variability of chronic neuropathic pain, which necessitates a multifaceted treatment approach and ongoing research and development of more effective and safer treatment options.

Novo Holdings invested in two companies, Nalu Medical and Hoba Therapeutics, in 2023 which both address this need by developing new solutions to pain relief without the harmful addictive side effects characterising currently available drugs.



Planet

Accelerating the green transition

At Novo Holdings, we believe there is a strong link between people's health and the health of our planet. According to the World Health Organization (WHO), climate change is expected to cause approximately 250,000 additional deaths per year, from undernutrition, malaria, diarrhoea and heat stress alone between 2030 and 2050. We recognise the urgent need to address climate change and are committed to having a role in facilitating the transition to a low-carbon economy. As an essential part of Novo Holdings' new strategy to 2030, we aim to increase our investment allocation to the green transition from approximately 2% to 10% of our investment funds. We will focus on innovative solutions that tackle the diverse array of climate-related challenges confronting our world today and invest across the full value chain including technology, growth, scaling and infrastructure.

Making biotechnology a spearhead for improved planetary health
Bioindustrial solutions rely on biotechnology to harness the power of living organisms, such as enzymes, microorganisms, bacteria cultures and pheromones, to develop solutions, which are more resource-efficient and sustainable than the conventional alternatives. At Novo Holdings, we target innovative technologies, which can play an important role in driving the green transition.

Our planetary health focus areas include solutions that adress:

Feeding a growing population
For example...

· Agriculture innovation
· Alternative proteins & fermentation
· Nutritious & healthy food

Fighting climate change
For example...

· Emission reduction
· Water treatment & purification
· Green chemicals

Creating sustainable cities and mobility
For example...

· Novel materials
· Circularity & waste reduction
· Transportation

Investment Highlights for Bioindustrials 2023

At year-end 2023, our portfolio included 23 investments in bioindustrial companies focused on the efficient use of natural resources within agriculture, food, water and alternative materials and chemicals.

HP Now

Novo Holdings co-led a significant 104 DKK (EUR 14 million) investment in HPNow, a Danish company pioneering an innovative water treatment solution. HPNow's technology enables large-scale water users, like farms and industrial sites, to produce dilute hydrogen peroxide on-site. HPNow's technology offers a carbon-efficient alternative to traditional hydrogen peroxide production methods applicable in agriculture, industry, and remote facilities lacking access to clean water. The investment proceeds will primarily be used to scale up production capacity and support sales and marketing efforts, positioning HPNow to address growing market demand and advance its mission of sustainable water treatment.

21st bio and AM Silk

In 2023 a new collaboration was formed between our portfolio companies AM Silk, a leader in advanced materials made from spider silk-based proteins, and 21st.BIO, helping biotech companies scale up their production. The partnership aims to accelerate time-to-market for AMSilk's products and broaden its portfolio into different types of fibres and proteins. For this, 21st.BIO has developed a new protein production strain that enables extracellular expression of silk proteins, enhancing productivity and reducing production costs. This collaboration represents a significant milestone in advancing precision fermentation technology and bringing sustainable materials to large-scale production.

Investing in real assets supporting the green transition

In 2020, Novo Holdings made a strategic decision to expand investments in real assets, such as real estate, infrastructure and the green transition. Our increased focus on real assets diversifies our investment portfolio and supports the generation of stable, long-term returns. As part of our commitment to improve sustainability of the planet, we plan to add significant investments that contribute to the green transition through renewable energy generation, carbon displacement, energy storage, energy efficiency, and circular economy assets. Through our Real Assets team, we have the ability to support large-scale projects that have the potential to bring innovation to scale. We are currently building up this investment space and during 2024 we will continue to actively seek out investment opportunities to foster a greener future.

Investment Highlights for Real Assets 2023

Q-Energy Fund V

Novo Holdings committed 932 DKK (EUR 125 million) to Q-Energy Fund V, which is managed by the Spanish renewables manager Qualitas Energy. The fund focuses on solar, wind, hydro, battery storage and biogas, primarily in Europe. The emphasis of the fund will be on the aging German onshore wind market, to which Qualitas Energy will pursue a wind repowering strategy to acquire and replace older, smaller turbines with newer and more efficient versions.

energyRe

Novo Holdings partnered with Glentra and PKA to execute a co-investment in energyRe, a USA-based renewable energy developer. energyRe specialises in a diverse range of clean energy projects, including onshore and offshore wind, solar PV, and private transmission, aiming to deliver clean power directly to urban centres in the USA. In total Novo Holdings committed DKK 866 million (EUR 116 million) to support the energyRe team in expanding the development pipeline, building the organisation, and delivering on its ambitious growth plan.

Planet

Managing climate-related risks and opportunities

We govern and manage actual and potential climate-related risks and opportunities aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). See a summary of our approach below

Topic	The Novo Holdings approach
Governance	Novo Holdings' Board of Directors (the Board) has oversight responsibilities for all company activities, including those related to the management of sustainability topics. The Board reviews Novo Holdings' overall performance and progress on sustainability annually and receives updates on the company's approach to climate. Responsibility for executing the sustainability strategy and climate commitments lies with the Novo Holdings' Executive Leadership Team.
Strategy	At Novo Holdings, we recognise the urgent need to tackle climate change, understanding the crucial link between human and planetary health. Climate is a material and strategic key priority for us, and we are setting ambitious goals to invest in solutions that drive a low-carbon economy and reduce the carbon footprint of our investments. This includes supporting companies that focus on solutions for more efficient resource use and investing in renewable energy generation and infrastructure. We are committed to the Science Based Targets initiative, which guides our investment teams in aligning our portfolio with the goals of the Paris Agreement.
Risk Management	As part of our investment process, we evaluate how companies manage ESG risks and opportunities associated with their business practices, tailoring our due diligence to factors relevant to the investment type, company maturity, and our potential influence. Material ESG aspects, including climate change risks, are defined as factors crucial for reflecting economic, environmental, and social impacts or influencing stakeholder decisions. Our final investment decisions consider the investment's societal impact potential, material ESG-related risks and value creation opportunities, and future action points monitored through our ownership. We regularly review the climate-related exposure and performance of the investment portfolio to inform areas of focus or action.
Metrics & Targets	Novo Holdings focuses on reducing climate impacts through climate targets and strategic investment allocation to green transition. We are committed to setting company-wide emission reduction targets aligned with the Science Based Targets initiative (SBTi). We measure and disclose our Scope 1, 2, and 3 emissions and aim to submit our reduction targets for validation by the SBTi in 2024.

Planet

Initiating climate action across our portfolio

In addition to investing in solutions that support the green transition, we are introducing the first initiatives to reduce the current carbon footprint of our own operations and investment portfolio. Our portfolio consists of a variety of early stage to mature companies within and outside of the life sciences. Their climate impact varies substantially, and so do our expectations and actions for their decarbonisation journey.

In 2023, our carbon footprint for Scope 1, 2, and 3 increased. This can be attributed to the growth in the number of employees and offices in our organisation and assets under management.

Novo Holdings' GHG-emissions, tonnes CO2e*

	2023 Not in assurance scope	**2022** In assurance scope
Scope 1	33	29
Scope 2		
Location-based	267	172
Market-based	204	140
Scope 3		
C1: Purchased goods and services	3,705	4,720
C3: Fuel and energy related activities	96	72
C5: Waste generated in operations	23	13
C6: Business travel	3,231	3,256
C7: Employee commuting	92	110
C15: Investments	355,620	314,109

Novo Holdings' Investments GHG-emissions 2023, tonnes CO2e[5]

	Total GHG emissions[6]		**Carbon footprint**[7]		**Carbon Intensity** (WACI[8])	
	2023	2022	2023	2022	2023	2022
Novo Group, n=2	59,208	58,532	0.1	0.1	2	1
Life Science						
Early Stage, n=90	6,411	4,697	0.8	0.6	7	N/A
Growth and Late Stage, n=49	148,973	126,022	2.0	1.7	15	14
Capital Investments (excl. ETFs), n=258	137,293	119,117	3.4	3.6	13	14

[5]Capital investments excludes exchange traded funds.
[6]The Total GHG emissions are the portfolio companies' emissions apportioned according to how much we as investors have financed (calculated as the portfolio companies' total emissions x our invested amount/enterprise value of company).
[7]The carbon footprint is the total tonnes GHG emissions normalised per DKK million invested, capturing how much GHG emissions we as investors are financing per DKK million invested.
[8]The weighted average carbon intensity (WACI) measures the GHG emissions of portfolio companies normalised per DKK million revenue of these companies and weighted with the relative size of our investment. WACI captures how (in)efficiently portfolio companies manage their GHG emissions relative to their revenue.

*Please see Novo Holdings Accounting Policies on GHG emissions on 27-28.

A selection of our Growth & Late Stage portfolio companies has taken initial climate action, such as measuring GHG emissions, setting targets and outlining initiatives for emissions reduction. However, there is ample opportunity for our mature companies to strengthen their climate efforts. An increasingly central part of our engaged ownership strategy is therefore to support portfolio companies in mapping and managing their emissions and establishing climate targets. For early stage companies, where the GHG emissions from operations are significantly lower, we are creating guidance on how early stage businesses can integrate climate initiatives in their operations to meet stakeholder expectations as they grow.

Our commitment to the Science Based Targets initiative (SBTi)
The SBTi is a partnership between the CDP (formerly the Carbon Disclosure Project), the United Nations Global Compact, the World Resources Institute (WRI), and the Worldwide Fund for Nature (WWF). SBTi aims to mobilise companies to set ambitious targets for reducing GHG emissions based on what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to 1.5°C above the pre-industrial levels.

At Novo Holdings we have committed to set 2030 company-wide emission reduction targets through SBTi. During 2024 we will specify 1.5°C-aligned targets for SBTi approval.

Climate action in portfolio by year-end 2023

	Portfolio companies measuring GHG emissions, %		Portfolio companies sourcing renewable energy, %		Companies with Science Based Targets, %	
	2023	2022	2023	2022	2023	2022
Novo Group, n=2	100%	100%	100%	100%	100%	100%
Life Science						
Early Stage, n=90	12%	8%	6%	8%	0%	1%
Growth & Late Stage, n=49	31%	22%	22%	12%	12%	8%
Capital Investments (excl. ETFs), n=258	52%	48%	22%	27%	27%	21%

People

Linking innovation to employee engagement

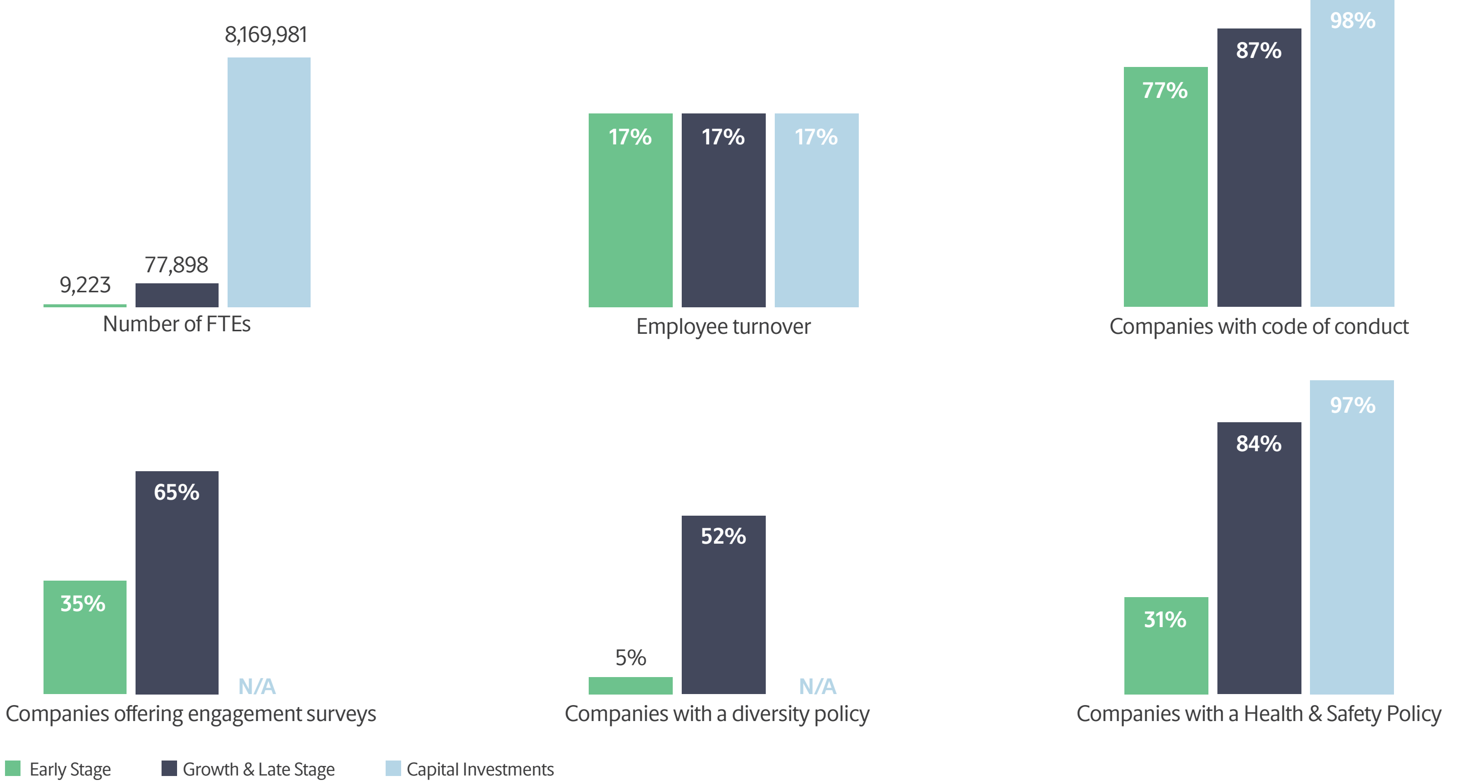
Our portfolio companies rely on people to foster innovation. As investors, we seek portfolio company management teams who prioritise values-based leadership and demonstrate genuine concern for their employees' rights, health, and well-being. We value companies that are well-regarded as employers and have the ability to attract and retain top talent in a highly competitive labour market, where it can be challenging to recruit people with the required life science skills and knowledge.

Across all our portfolio companies we expect high standards in:
- Complying with applicable wage laws
- Ensuring employee health and safety measures
- Securing an inclusive and discrimination-free workplace
- Providing workplace policies and initiatives to support employee retention and engagement.

To understand the practices of our portfolio companies and to ensure that their employees are provided with a healthy, safe and inspiring workplace, we consider areas such as sickness rate, number of incidents, engagement surveys, and employee turnover in our due diligence and engaged ownership processes.

Among others, we support our early stage portfolio companies in developing policies and guidelines, such as an employee handbook or supplier code of conduct. For late stage companies, our dialogue centres around health and safety measures, talent development and employee engagement initiatives.

Workplace statistics across companies in our portfolios by year-end 2023



People

Diversity, equity, and inclusion are closely linked to our core values

Enhancing diversity is not only the right thing to do for a values and purpose driven organisation, but it also fosters better decision making and improved results. A diverse workforce brings together people with different backgrounds, experiences, and perspectives and leads to new ideas and insights, while reducing "group think" and "echo chamber" decisions. This is true in Novo Holdings' own organisation but also in our role as an engaged owner.

Working closely with our boards and leaders of the portfolio companies, we aim to instil and communicate the value of diversity, equity, and inclusion within our portfolio companies. We recognise that diversity encompasses many dimensions, including race, ethnicity, nationality, age, ability, sexual orientation, and gender identity among others. It is also important to us to reflect that the concept of diversity and the challenges encountered vary across cultures and geographies, and that each portfolio company develop an approach diversity that is relevant to their organisation and business.

Our initiatives
In 2022, we introduced diversity targets for boards in our portfolio companies, aiming for a minimum of 40% diverse representation, tailored to the geographical setting of our portfolio companies by 2027.

Diversity target for portfolio companies in EU, UK & Asia:
By 2027, all boards with Novo Holdings representation **shall include at least 40% of members** from the underrepresented gender.

Diversity target for portfolio companies in the US
By 2027, all boards with Novo Holdings representation **shall include at least 40% of members** from diverse backgrounds*.

During 2023 we have played an increasing key role in promoting diversity within our portfolio companies and ensuring that equity and inclusion are prioritised focusing on our majority-owned portfolio companies.

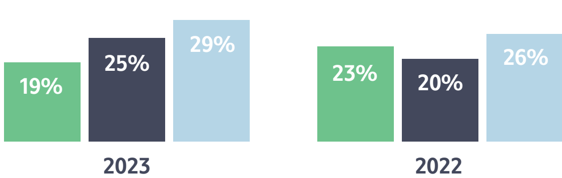
*Diverse backgrounds include individuals from underrepresented racial and ethnic minorities, members of the LGBTQ+ community, as well as gender diversity.

As we strive to progress towards these targets in our majority-owned portfolio companies, our focus lies on cultivating a robust pipeline of female talent within the recruitment process for new board members, supported by our People & Organisation team. As part of our board nomination process in 2023, we...

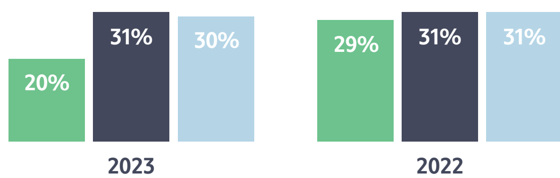
- Assessed the capabilities of boards and identified forthcoming needs.
- Initiated a candidate pipeline comprising diverse profiles in terms of experience, capabilities, and geographic backgrounds, to facilitate the identification and selection of suitable candidates. This pipeline will enable us to identify and select suitable candidates that reflect the current capabilities of the boards and forthcoming needs, as well as enable progress toward our targets.
- Collaborated with our majority-owned companies to create a multi-year plan to attain our targets.
- Actively worked with our Nomination Committee on the topic of diversity on boards of directors, ensuring that processes and priorities are aligned with our diversity strategy.

In 2024, we are continuing the efforts, among others, by developing a Diversity, Equity & Inclusion-playbook outlining strategies for addressing diversity at the board level and providing training for our investment teams on this matter.

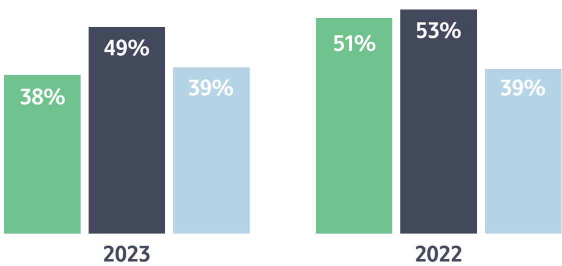
Workforce and board composition



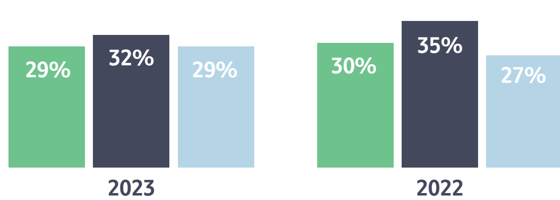
Average share of female board members in portfolio companies, EU, UK, Asia



Average share of diverse board members in portfolio companies, USA



Female employees in portfolio companies



Women in senior management in portfolio companies

Early Stage   Growth & Late Stage   Capital Investments

Novo Holdings Accounting Policies on GHG emissions

All emissions are accounted for in accordance with the methodology set out in the Greenhouse Gas Protocol Corporate Standard. For investments, Novo Holdings accounts for GHG emissions from operations according to its share of equity. All GHG emission factors used for fossil fuels and electricity are in accordance with the 2006 Intergovernmental Panel on Climate Change Guidelines for National Greenhouse Gas Inventories.

Scope 1

Scope 1 includes GHG emissions resulting from the use of company-owned vehicles, we calculate using the activity based approach. Fossil fuel volumes are multiplied by emission factors from the UK Department for Environment, Food and Rural Affairs (DEFRA).

Scope 2

Scope 2 includes GHG emissions resulting from the purchase of electricity and heating for Novo Holdings' offices. The emissions are calculated using both the location-based approach and the market-based approach, which includes the purchase of Renewable Energy Certificates (RECs). Actual data from utility providers is used when available. If data is not available, average consumption per employee is used to estimate office electricity and heating consumption. The electricity and district heating is multiplied by emission factors from the International Energy Agency (IEA). At the Hellerup office, 50% of the annual total electricity consumption is attributed to on-premises servers owned and managed by a third party. The associated electricity is deducted from our overall electricity usage.

Scope 3

Scope 3 emissions are reported based on the Greenhouse Gas Protocol, which divides the Scope 3 into 15 subcategories (C1-C15) of which the six listed below are relevant to Novo Holdings.

C1 Includes emissions from categorised spend amounts on services and goods. For some IT categories, we have collected and supplied supplier-specific emission factors. Emission factors from DEFRA and the Environmental Protection Agency (EPA) are used to calculate emissions based on spend. The emissions factors are updated to represent the current year, considering inflation and currency changes. The CO2e emissions from the Hellerup office canteen, provided by the service provider ISS in kg CO2e, are allocated between Novo Holdings and Novo Nordisk Foundation based on the number of employees.

C3 Includes upstream greenhouse gas emissions from fossil fuels, heating and electricity. Litres of petrol and diesel are multiplied by Well-to-Tank (WTT) fuel emission factors from DEFRA to quantify these upstream emissions. Upstream emissions from the generation of electricity and heating purchased are calculated by multiplying Kilowatt-hours of electricity and heating by WTT emission factors from DEFRA. Emissions from energy lost in the transmission and distribution system are calculated by multiplying Kilowatt-hours of electricity by a loss-adjusted T&D emission factor from the International Energy Agency (IEA), while heating is multiplied by a WTT emission factor to account for emissions lost in the heating transmission and distribution system.

C5 Includes emissions associated with waste volumes and spend on waste services. Where available utility bills are used and waste in tonnes is multiplied by the relevant emissions factor from the Environmental Protection Agency (EPA). For the remaining offices, emissions are estimated using an average emissions per employee metric. Average emissions per employee is calculated for offices with data and then multiplied by the respective number of employees at each offices.

C6 Includes emissions from flights, and other travel related activities. The recognition and measurement of business travels are based on the distance-based method. The emissions from business flights are based on flight data and multiplied by DEFRA emission factor for short (less than 3700km) and long-haul flights (greater than 3700km). A separate emission factor is used for economy, premium economy, business class, and first class. Emissions from other travel related cost are calculated using a spend-data approach where spend-data are multiplied by an appropriate DEFRA or EPA emission factor.

C7 Includes emission from Novo Holdings' employees' commuting from home to work, except those with company vehicles, which are reported under scope 1 emissions. The mode of transportation and distance from employee commuting are obtained from an employee survey from 2021. The distance in kilometres for each transportation mode and office location has been multiplied by an appropriate DEFRA emission factor. To estimate where employees have not responded, the GHG emission from each transportation mode is multiplied by ratio of the total number of employees to the number of employees who responded to the survey.

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*PCAF – Partnership for Carbon Accounting Financials (2022). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions.

C15 Includes the emissions associated with Novo Holdings' investments Novo Holdings uses the PCAF Standard's basic attribution principle. This involves calculating NH' share of the annual GHG emissions from the invested company's scope 1 and 2 emissions. This share is determined by the ratio of the financed company's outstanding amount to the enterprise value including cash (EVIC) of the financed company.

GHG emissions are reported for NH's investments in publicly listed equities and direct investments in private companies. NH derives Scope 1+2 CO2e data for publicly listed equity, including ETFs, from Bloomberg. NH derives Scope 1+2 CO2e data for private companies from company-reported data from Novo Holdings annual private company survey. Where not available, private companies' emissions are estimated by matching each company with an appropriate 2017 NAICS code and its associated Supply Chain Emission Factor with Margin.

Currently, Novo Holdings is excluding emissions from real estate, infrastructure, private debt, investments in private equity funds, corporate bonds, mortgage bonds, and sovereign bonds. They are excluded due to the lack of sufficient and reliable data. Novo Holdings aims to include this information in future GHG reporting once data quality improves.

Independent limited assurance report on GHG emissions data

To the stakeholders of Novo Holding A/S
Novo Holding A/S engaged us to provide limited assurance on the GHG emissions data (Scope 1, 2 and 3) on page 22, table: Novo Holdings' GHG-emissions, tonnes CO2e for the period 1 January – 31 December 2022.

Our conclusion
Based on the procedures we performed and the evidence we obtained, nothing came to our attention that causes us not to believe that the GHG-emissions data in scope for our limited assurance engagement on page 22, table: Novo Holdings' GHG-emissions, tonnes CO2e for the period 1 January – 31 December 2022 are prepared, in all material respects, in accordance with the accounting policies developed by Novo Holding A/S, as stated on pages 27 and 28.

This conclusion is to be read in the context of what we say in the remainder of our report.

What we are assuring
The scope of our work was limited to assurance over the GHG emissions data (Scope 1,2 and 3) on page 22, table: Novo Holdings' GHG-emissions, tonnes CO2e for the period 1 January – 31 December 2022.

We express limited assurance in our conclusion.

Current year data
Please note that the current financial year data for the GHG emissions in the period 1 January - 31 December 2023 has not been subject to assurance as described on page 22 in the table; Novo Holdings GHG-emissions, tonnes CO2e.

Professional standards applied and level of assurance
We performed our limited assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised), 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' and, in respect of the greenhouse gas emissions stated on page 22, in accordance with International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements', issued by the International Auditing and Assurance Standards Board.

Greenhouse Gas emissions quantification is subject to inherent uncertainty as a result of incomplete scientific knowledge used to determine emission factors and the values and methods needed to combine emissions of different gases.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement, in relation to both the risk assessment procedures, including an understanding of internal controls, and the procedures performed in response to the assessed risks; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality of control
We have complied with the independence requirements and other ethical requirements in the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour and ethical requirements applicable in Denmark.

PricewaterhouseCoopers is subject to the International Standard on Quality Management 1, ISMQ 1, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Our work was carried out by an independent, multidisciplinary team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies
The GHG emissions data needs to be read and understood together with the accounting policies, which Management is solely responsible for selecting and applying.

The absence of a significant body of established practice on which to draw on, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities over time.

Work performed

We are required to plan and perform our work in order to consider the risk of material misstatement of the GHG emissions data. In doing so, and based on our professional judgement, we:

- Made inquiries and conducted interviews with Group functions to assess consolidation processes, use of company-wide systems, and controls performed at Group level;
- Performed limited substantive testing on a sample basis to underlying documentation, and evaluated the appropriateness of quantification methods and compliance with the accounting policies for preparing the GHG emissions data;
- Conducted an analytical review of the GHG emissions data ;
- Considered the disclosure and presentation of the GHG emissions data and,
- Evaluated the obtained evidence

Management responsibilities

Management of Novo Holding A/S is responsible for:

- Designing, implementing and maintaining internal controls over information relevant to the preparation of GHG emissions data that is free from material misstatement, whether due to fraud or error;
- Establishing objective accounting policy for preparing the GHG emissions data;
- Measuring and reporting GHG emissions data based on the accounting policies; and
- The content in Novo Holdings A/S Responsible Investment Report for 2023

Our responsibilities

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the GHG emissions data are prepared, in all material respects, in accordance with the accounting policies.
- Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- Reporting our conclusion to the stakeholders of Novo Holding A/S.

Hellerup, 18 September 2024

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
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novo
holdings

Investing to benefit people and the planet