Investing to benefit people and the planet

Responsible Investment Policy 2024

Background and purpose

Novo Holdings is a holding and investment company wholly-owned by the Novo Nordisk Foundation (the Foundation). We manage the Foundation's assets, including Novo Nordisk A/S, Novonesis A/S, and Novo Holdings' investment portfolio. Financial returns from Novo Holdings' investment portfolio and income from the Novo Group companies enable the grant giving of the Foundation with the purpose of improving people's health and the sustainability of society and the planet.

At Novo Holdings, we aspire to be a leading responsible investor, recognised for delivering strong financial returns and positive societal impact. We strive to identify, prevent, and mitigate risks of adverse impacts related to sustainability in our own operations and expect the same from our business partners, including the companies we invest in.

We are committed to conducting our business in a manner that it socially and environmentally responsible. We are a member of the UN Global Compact, implementing its ten principles related to human rights, labour, environment, and anti-corruption within our daily operations. Our approach to responsible business conduct aligns with the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises (OECD Guidelines). We are dedicated to minimising our environmental and climate footprint across our operations and investment portfolio. Additionally, we support the green transition through company-wide emissions reduction targets set through the Science Based Targets initiative (SBTi).

Furthermore, we have integrated the six principles of the Principles for Responsible Investment (PRI) into our investment approach. We believe that by integrating societal impact and environmental, social and governance (ESG) aspects into our investment strategy, investment processes and engaged ownership activities, we can make better investment decisions and deliver stronger financial returns over the long term.

This Responsible Investment Policy (the Policy) outlines Novo Holdings' commitment and approach to delivering societal impact and integrating ESG matters into our investment processes and activities [1].

Scope

The Policy covers the Novo Holdings investment portfolio, which includes:

- **Life Science Investments** in privately-owned and publicly listed healthcare and planetary health companies, from start-ups to mature companies.
- **Capital Investments** across asset classes, including public and private equity, fixed income and real assets, through specialist portfolio managers and via direct investments.

The Policy applies to all direct investments made by Novo Holdings, and investments made by external asset managers or funds investing on behalf of Novo Holdings, excluding investments in index funds and derivatives.

The Policy covers activities throughout the entire investment lifecycle, from deal sourcing and due diligence to subsequent ownership and exit. Our responsible investment processes are designed to capture ESG matters that are material to the specific type of investment, the maturity of the company or asset, and our ability to influence their business practices.

Material ESG matters are defined as topics where the investment has a material impact on environmental, social or governance matters, or where the topic creates material business risks or opportunities for the investment.

Roles and responsibilities

The Policy is approved by the Novo Holdings' Board of Directors (the Board) and reviewed annually by the Executive Leadership Team. The Head of Sustainability & Impact owns the Policy and its associated strategy, principles and targets, reporting annually to the Board on Responsible Investment progress.

The Executive Leadership Team holds the Managing Partners of the investment teams accountable for implementing the Policy within their teams, ensuring its application in investment committee meetings and throughout the investment ownership period. The Sustainability & Impact team provides guidance and support, enabling investment teams to effectively implement the policy. Additionally, the principles of Responsible Investment are integrated into the performance requirements for all investment professionals at Novo Holdings.

[1]. For further details on the policies governing responsible business conduct in our operations, please refer to our Code of Conduct and Diversity Policy.

Our responsible investment approach

Novo Holdings prioritises investments in industry-leading or innovation-driven companies and assets, emphasising the need for continuous progress in both financial performance and ESG matters. We firmly believe that entities proactively addressing ESG are better positioned for sustainable long-term value creation and, as a result generate superior financial returns.

Societal impact

We have defined three strategic focus areas, where we have a special opportunity to drive positive societal change. The focus areas are aligned with the UN Sustainable Development Goals (SDGs), allowing us to target the critical needs of our society and inform our responsible investment approach.

Health: Provide more people with better treatments to improve health in society

- 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.
- *Related SDGs: SDG 3 (Good health and well-being), SDG 9 (Industry, innovation and infrastructure).*

Planet: Contribute to the green transition

- Invest in the development of planetary health solutions that support the efficient use of natural resources in food, agriculture, energy, water management, materials and chemicals.
- Invest in projects, which reduce greenhouse gas (GHG) emissions, and enable the use of renewable energy.
- Reduce GHG emissions across our investment portfolio aligned with the goals set by the Paris Agreement in line with our commitment to the SBTi.
- *Related SDGs: SDG 12 (Responsible consumption and production), SDG 13 (Climate action).*

People: Create responsible and diverse workplaces

- Build, scale and futureproof innovative companies providing healthy, safe and attractive workplaces.
- Increase diversity, equity and inclusion on boards and among business leadership.
- *Related SDGs: SDG 8 (Decent work and economic growth), SDG 10 (Reduced inequalities).*

Exclusions

We refrain from investing in companies involved in controversial weapons, which are prohibited by international treaties or conventions due to the indiscriminate damage they cause. We also refrain from investing in companies generating revenue from the production of tobacco products.

We exclude companies with more than 5% revenue derived from adult entertainment production or operations, non-medical cannabis production, gambling operations, palm oil production, predatory lending, or fossil fuel extraction/ production/ refining. We allow investments in fossil fuel companies that demonstrate a clear commitment to transitioning their business to low-carbon operations, as assessed by the methodology of the Transition Pathway Initiative.

We do not invest in companies with significant adverse social or environmental impacts without a realistic plan to mitigate these. We refrain from investing in companies that demonstrate a consistent pattern of human rights violations, labour rights abuses, incidents of corruption, non-compliance with environmental regulations, or companies that are causing severe long-term environmental damage.

ESG in investment decisions

ESG is addressed in the pre-investment phase for all potential investments. During the pre-investment phase, the investment's societal impact contribution, as well as its material ESG impacts, risks and opportunities are identified and assessed in line with other business risks and opportunities.

Deal sourcing: In the deal sourcing process, the potential investment is assessed based on its fit with Novo Holdings' investment strategy and strategic focus areas for societal impact. Furthermore, the investment is screened against our exclusion list (refer to section 4.2 above).

Due diligence: The purpose of our ESG due diligence is to uncover potential material ESG aspects of the investment. The ESG due diligence is tailored to the specific investment type, industry and maturity of the company or asset. It is carried out by the investment team and in collaboration with the Sustainability & Impact team and assisted by third-party ESG due diligence providers, if needed. The due diligence is based on qualitative matters and quantitative data derived from corporate disclosures, external ESG data, analyses from external vendors, direct interactions with the company or external manager, stakeholder engagement or on-site visits depending on the investment in question.

Investment decision: The results of the ESG due diligence assessment are included in the final recommendation to the relevant investment committee, where the results are considered in line with other business topics. Identified areas for action during ownership are designed to mitigate ESG risks, address adverse impacts, or capitalise on value creation opportunities. These areas will be closely monitored and addressed throughout the ownership of the investment to ensure effective ESG management and progress for the sake of long-term value creation.

Engaged ownership

Our beliefs: At Novo Holdings, we strive to ensure that our investments have foundation for long-term sustainable growth. Hence, we consider ESG an inherent part of our investments' value creation plan. We utilise our long-standing industry and investment expertise to drive societal impact through portfolio our engagement and monitoring of our investments during the ownership period.

Our expectations: We expect all our investments to comply with national regulations and international norms and standards for responsible business conduct in their own operations and value chains. We also encourage our investments to identify and proactively address potential and actual material ESG impacts, risks, and opportunities proportionate to their size and risk profile. These expectations are addressed during our due diligence process and are followed up throughout the ownership period.

For our majority-owned investments in privately-held companies, where our level of influence is most significant, we have established specific expectations for the management, governance, and progress of ESG. Additionally, we have defined expectations for their activities to manage specific environmental, social, and governance aspects material to their business.

Our approach: As engaged owners, we seek to directly influence companies through our board positions, management dialogues, and – for public companies – voting at annual general meetings. Our approach to engaged ownership, along with the expectations we set for our portfolio companies, is tailored to the type of investment and the extent of our influence on each investment.

We integrate ESG matters into the ongoing monitoring of investment performance and progress. Across our portfolio, we track ESG data points to assess risks, opportunities, and progress. ESG data is sourced directly from private portfolio companies annually and is based on regulations and standards such as the EU Corporate (Sustainability Reporting Directive (CSRD), EU Sustainable Finance Disclosure Regulation (SFDR), International Financial Reporting Standards Foundation (IFRS Foundation Accounting Standards Board), GRI (Global Reporting Initiative), ESG Data Convergence Project, and InvestEurope. For public companies, ESG data is obtained annually from third-party providers, guided by the aforementioned regulations and standards.

We screen the portfolio of publicly listed companies bi-annually in line with international norms and standards, utilising external ESG data. Investments flagged for potential ESG risks or controversies are subject to further assessment and proactive management.

Working with other institutions

We collaborate with other investors and institutions to contribute to the development of responsible investment standards and practices, and to promote transparency and sustainability standards among companies and across the financial markets. This includes participation in the PRI, UN Global Compact and Biopharma Sustainability Roundtable.

We furthermore aim to contribute to the public debate and policy initiatives on global sustainability challenges linked to our life science expertise, such as antimicrobial resistance and biosolutions.

Reporting and transparency

We report on our responsible investment efforts and progress annually. The report and the Policy is publicly available at our company website.

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