

**EXPLANATORY NOTES TO THE REPORT ON EQUAL PAY FOR WOMEN AND MEN PREPARED
BY THE MINISTRY OF LABOR AND EMPLOYMENT**

NOVOZYMES LATIN AMERICA LTDA.

ABOUT NOVOZYMES

Novozymes is a company ("Company") that strives to promote a collaborative culture, imbued with respect and cooperation with customers, colleagues and all other stakeholders.

Throughout its history, the company has built a unique culture, which is articulated in the form of a culture model consistent with motivators that guide actions at work.

At the Company, **employee well-being** is a fundamental part of ensuring that we remain a great place to work.

At the company, equality is a solid commitment, based on transparent policies, periodic salary surveys and reviews, fair promotion and investments in training and awareness-raising:

- **Periodic Salary Reviews:** periodic salary reviews to ensure that employees' remuneration is in line with the market and with their responsibilities and performance of their duties. During these reviews, it is ensured that there is no discrimination based on gender or other individual characteristics and that salaries are set fairly, as necessary.
- **Fairness in Promotion and Career Progression:** a working environment in which opportunities for promotion and career progression are based on merit and performance, without discrimination based on gender or any other individual characteristic. There are also professional and even individual development programs aimed at training and promoting women and men equally at all levels of the organization.
- **Training and Awareness:** periodic training on the importance of gender equity and combating unconscious bias for all managers and employees. They help raise awareness of equal pay issues and promote a culture of respect and inclusion.
- **Psychological Safety:** this is a priority pillar that allows employees regardless of gender, race, age, physical condition, etc. to express their ideas without fear of judgment, feeling welcomed and safe, understanding and participating in the construction of the organizational culture. Meetings are held regularly to discuss the issue, as well as training sessions for leaders with practical exercises that illustrate a psychologically safe environment.

CLARIFICATIONS - LAW 14.611/2023

With the aim of promoting equal pay for women and men, Law 14.611/2023 was sanctioned and regulated by Federal Decree 11.795/2023 and Ordinance 3.717/2023 of the Ministry of Labor and Employment ("Government").

Taken together, the rules are aimed at the **laudable goal of reducing** any pay gap between women and men, which currently stands at around 21% according to IBGE data¹, as well as promoting women to management positions.

Under this approach, the government was tasked with preparing the reports on salary transparency and remuneration criteria ("Report").

To prepare the report, the government based itself on data transmitted by companies through eSocial² and the Declaration of Equal Pay and Remuneration Criteria, prepared by companies with information on their remuneration criteria and actions to increase diversity.

Despite the efforts made by the government, the **indicators used** to prepare the report do **not reflect the current practices** adopted by the company in relation to the remuneration of women and men and the granting of equal opportunities for professional advancement.

For this reason, the company presents additional data below to put **the information** presented by the government into **context** and to reaffirm its **commitment to treating** women and men **equally** and to creating opportunities for all its employees.

¹ https://biblioteca.ibge.gov.br/visualizacao/livros/liv102066_informativo.pdf

² eSocial is a platform through which companies transmit information about their employees to the labor and tax authorities.

1. MTE REPORT - EXPLANATORY NOTES

1.1. MODULE 1 OF THE REPORT - INDICATORS OF MEDIAN CONTRACTUAL SALARY, MEDIAN ADMISSION SALARY AND AVERAGE SALARY ACTUALLY PAID

Module 1 of the report prepared by the government provides information on the median contractual wage, the median admission wage and the average wage actually paid.

The report prepared by the government present information that does not adequately reflect the company's labor relations. This was generated in particular by the following criteria adopted by the Government:

- **Problems with using the median to identify wage disparity**

The median indicates the middle value in a set of ordered numbers, i.e. it represents the value that is exactly in the middle of a set of ordered data³. The median therefore indicates the point between two extremes.

By using the median as a methodology to identify possible pay disparities, the Transparency Report groups together a group of people without observing them:

- The reasons for higher or lower wages within a specific group of workers.
- In addition, the company's organizational structure, divided into **sectors with different positions and levels of seniority**, can also influence the median, since positions with greater responsibility tend to be better paid, and if there is a predominance of one gender in such positions, this can distort the median.

- **Problems with using the average salary to identify wage disparity**

In order to calculate the ratio between the average pay of women and men, the government took into account the amounts paid in contractual salaries, overtime, additional night work, unhealthy work, hazardous work and other amounts typically received by workers in accordance with the law or collective standards.

However, the above payments are conditional on specific work situations. Only those who have worked overtime will receive overtime pay, only those who have worked at night will receive a night bonus, and so on. In other words, the ratio between the average salaries paid by the company to women and men calculated by the government **disregards the individual situations of workers**, men and women, and does not seem to serve the purpose of

³ <https://educa.ibge.gov.br/professores/educa-recursos/17870-a-mediana.html#:~:text=The%20Median%20tells%20us%20that%20the%20amount%20of%20values%20%C3%A9,%C3%A9%20is%20affected%20by%20extreme%20values.>

demonstrating gender pay disparities.

- **The company observes the circumstances in which the law allows the payment of different salaries**

Article 461 of the CLT determines the circumstances in which workers must receive the same salary: when they perform the same activities, in work of equal value and in the same establishment of a company.

When referring to work of equal value, the law defines it as that performed with **equal productivity and technical perfection**, between people whose difference in length of service for the same employer is no more than **four years** and the difference in time in the job is no more than **two years**.

All these criteria set out in article 461 of the CLT are observed by the company, but **are not portrayed in the report**.

These criteria are intuitive, reasonable and proportional. It is expected, for example, that there will be a difference between the salary paid to an environmental engineer and a maintenance operator, as they are different activities. Factors such as the location where the activities are carried out also have an impact on the obligation to pay the same salary, because, for example, the difference in the cost of living varies from city to city.

In the Company's opinion, it is only possible to properly and accurately assess possible disparities in salary and remuneration criteria between the genders when analyzing the criteria set out in article 461 of the CLT.

1.2. MODULE 2 OF THE REPORT - THE MAJOR OCCUPATION GROUPS

In Module 2, the Government Report points out the percentage difference between women's and men's salaries based on an aggregation of the so-called '**major occupation groups**'. The major occupation groups are a classification that comprises ten sets of occupations aggregated by level of competence and similarity of the activities performed and are part of the structure of the so-called '**Brazilian Classification of Occupations**', the **CBO**.

For contextualization purposes, the CBO was created for the purposes of statistical standardization of titles and codes of existing positions in Brazil and is not related to the nomenclatures and criteria used by companies in defining their organizational structure.

The CBO disregards length of service in the company, time in the job, productivity and technical perfection. Thus, the **use of the CBO**, which groups together male and female workers with different functions, has inevitably **led to a distortion** in the comparison of salaries in the major occupation groups.

- The large occupation group of "Directors and Managers" includes business analysts (CBO

1423-30), financial directors (CBO 1231-15) and maintenance managers (CBO 1427).

- The large occupation group of "Mid-Level Technicians" includes occupational safety technicians (CBO 3516-05) and laboratory technicians (CBO 3011-05).
- The large occupation group of "Administrative Services Workers" includes accounts payable analyst (CBO 2522-10) and accounting supervisor (CBO 2522-10).

As illustrated above, the use of 'large occupation groups' covers a variety of very different occupations which, **within the company, do not reflect comparable situations.**

1.3. MODULE 3 OF THE REPORT - PERCENTAGE OF MEN AND WOMEN AND BLACK AND NON-BLACK PEOPLE

Module 3 of the report shows the percentage of men and women, broken down by race/color (black and non-black people). The purpose of this section is to present statistical information on the labor market.

Some aspects of the labor market need to be put into context, which can cause data to be distorted within the company.

- **Gender predominance in the professions**

The predominance of men in the company is due to a number of factors, including the availability of labor to perform the job that needs to be hired. Despite the fact that women have a higher rate of school attendance, even in university courses⁴, even today, there are professions that tend to be more masculine or feminine than others, as a result of a culture established on gender standards.

Data from the IBGE⁵ show that the representation of women is considerably lower in higher education courses linked to Science, Technology, Engineering and Mathematics. Women account for 22% of graduates. The percentage is even lower (15%) in courses related to Computing and Information and Communication Technology - ICT.

The predominance of a certain gender in a training course will be reflected in the job market, making it impossible to relate the predominance of women or men in the company to discrimination.

- **Insertion of the black population into the job market**

⁴ Data taken from a 2021 IBGE survey on gender statistics and social indicators for women in Brazil, available at: <https://biblioteca.ibge.gov.br/index.php/biblioteca-catalogo?view=detalhes&id=288941>.

⁵ Data taken from a 2024 IBGE survey on gender statistics and social indicators for women in Brazil, available at https://biblioteca.ibge.gov.br/visualizacao/livros/liv102066_informativo.pdf.

In another IBGE survey⁶, socio-economic indices reveal the greater socio-economic vulnerability of the black, brown and indigenous populations. Although the black and brown population in 2021 will represent 9.1% and 47.0% of the Brazilian population, respectively, their participation among indicators that reflect better living conditions is far below this proportion.

The survey's indicators reveal a greater representation of black and brown people in the unemployed population, greater informality in the labor market among people of black or brown color or race when compared to white people, and a greater concentration of black and brown people at the bottom of Brazilian society's income structure.

The company, aware of its social responsibility, has strategies and training aimed at leveraging diversity and inclusion in a sustainable way.

The company's aim is to attract and retain employees who represent minority groups, through specific attraction and training programs for the development of qualified professionals who are widely integrated into the context of a global company.

1.4. MODULE 4 OF THE REPORT - REMUNERATION POLICIES AND CRITERIA DECLARED BY THE COMPANY

This section of the report is designed to indicate the remuneration criteria adopted by companies for employee access and progression and initiatives to increase diversity.

Through clear and transparent criteria for remuneration processes within our policies, the company ensures that decision-making is based on gender-neutral and non-discriminatory **criteria**.

Professionals who are aligned with the company's values and principles and who achieve **superior and consistent results** have the opportunity to achieve a total remuneration above the market average.

Career planning and employee development is guided by the pillar of **meritocracy**, based on **gender-neutral** and non-discriminatory **criteria** and with the aim of ensuring equal opportunities for all employees, regardless of any individual characteristics.

The company offers **equal job opportunities**, regardless of gender, race, ethnicity, sexual orientation or any other situation of difference that may arise, always with a focus on attracting talent from everyone.

It is ensured that **men and women have the same rights and obligations** and that their

⁶ Results of the survey published in Estudos e Pesquisas, Informação Demográfica e Socioeconômica, n. 48, available at <https://biblioteca.ibge.gov.br/index.php/biblioteca-catalogo?view=detalhes&id=2101972>.

responsibilities are defined according to the demands of the job, never because of gender differences. Remuneration and professional advancement opportunities for employees are based on meritocratic evaluations, without allowing the influence or interference of differences in gender, age, color, family situation, sexual orientation and others.

The company believes that a diverse environment, made up of people with different backgrounds, races, genders, experiences and other characteristics, stimulates creativity, innovation and, consequently, is more beneficial for the group.